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Senate Keeps Weapons Ban On Muslims In Bosnia

Narrow Clinton Victory Sets Stage for Meeting In Geneva on Tuesday

By Helen Dewar
Washington Post Service

WASHINGTON — President Bill Clinton on Friday won a cliff-hanging Senate showdown over his refusal to withdraw unilaterally from the international arms embargo on Bosnia, narrowly averting a major foreign policy defeat only days before meeting with other world leaders in Europe.

After several days of intense lobbying by Mr. Clinton and his top aides, the Senate voted, 52 to 48, to endorse multinational action to lift the embargo as part of a broader Balkan peace settlement.

Then it rejected, 50 to 50, an amendment to the 1995 military authorization bill that would have terminated U.S. participation in the United Nations embargo on arms sales to Bosnia, leaving the ban to apply only to Serbia and other warring republics of former Yugoslavia.

The State Department spokesman, Mike McCurry, said later that Secretary of State Warren M. Christopher would attend a ministerial meeting on Bosnia in Geneva on Tuesday in the latest effort to end the 27-month war, Reuters reported.

Sam Nunn, Democrat of Georgia and chairman of the Senate Armed Services Committee, who led the fight against unilateral action in league with the committee's ranking Republican, John W. Warner of Virginia, warned the administration not to take too much comfort from the result.

"It means the Senate is very frustrated with the Bosnia situation," Senator Nunn said after the vote, "and does not, by a very large majority, agree with the embargo on arms to the Bosnians. It believes it's counterproductive."

While the Senate wants the embargo lifted, it has qualms about implications of doing so unilaterally, including the effect on international support for embargoes favored by the United States, including one that may be sought against North Korea, he added.

Senator Nunn said it could also be "very difficult" to hold the administration's position in a conference later this summer with the House, which last month voted, 244 to 178, in favor of unilateral abandonment of the embargo and rejected a proposal similar to the one adopted by the

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Arafat Returns to Gaza, Vowing 'New Homeland'



Yasser Arafat responding to wild acclaim by Palestinians as he crossed into the Gaza Strip from Egypt, marking his first trip to Gaza in 27 years.

Among Many in Israel, a Grudging Acceptance

By Joel Greenberg
New York Times Service

JERUSALEM — Asaf Shani, a tall Israeli who carries a pistol when he goes downtown just in case of an Arab attack, was not particularly troubled by Yasser Arafat's arrival Friday in the Gaza Strip.

"As long as he goes to Gaza and Jericho, not Jerusalem, that's O.K.," Mr. Shani said after walking out of a theater ticket office with his girlfriend. "He has the right to come. On a personal level, the man is an arch-murderer, but we've made peace with our enemy, and we don't have much choice."

Mr. Shani's remarks typified responses of many in Jerusalem, where the visit of the chairman of the Palestine Liberation Organization was received with remarkable equanimity. It was a telling sign of a new, grudging acceptance of a man reviled here for years, with whom contact was unthinkable.

The shifting attitudes were reflected in the small turnout for protests against Mr. Arafat's visit organized by Jewish settlers and rightist parties.

Instead of the mass action promised by organizers, about 300 demonstrators blowing whistles and chanting "Death to Arafat" lined the highway from Tel Aviv at the

entrance to Jerusalem, holding up pictures of the PLO chairman captioned with the word "Murderer."

An attempt to march atop the walls of Jerusalem's predominantly Arab Old City fizzled when the few dozen demonstrators who showed up were cleared away by police officers.

There were only sporadic protests outside the city. Settlers briefly blocked the road from Jerusalem to Jericho and the main highway through the Gaza Strip.

Reports that Mr. Arafat will not come to Jerusalem to

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Crowds Cheer PLO Chief as He Ends Exile

By Clyde Haberman
New York Times Service

GAZA — Yasser Arafat, the fiery, indomitable symbol of the Palestinian struggle for a homeland, returned to the Gaza Strip on Friday, completing his odyssey to territories that he hopes to turn into a state.

With tears in his eyes, Mr. Arafat knelt after crossing the border from Egypt and kissed the ground — land that he had not touched for 27 years and has now come under Palestinian authority and his stewardship.

The chairman of the Palestine Liberation Organization moved quickly to affirm his control of the fledgling Palestinian self-rule under way in both teeming Gaza and the much smaller town of Jericho, on the West Bank.

Within a few hours of his arrival, he summoned members of his provisional government, the still-incomplete Palestinian National Authority, to the hotel where he was staying under extremely tight security.

And recognizing the symbolic importance of the moment, he wasted no time presenting himself as a prodigal son.

In a high-speed motorcade, he left the Rafah border crossing immediately for the city of Gaza, the heart of the coastal strip, where he spoke for half an hour to more than 100,000 Palestinians spread before him in a huge square.

He promised the cheering supporters that he would help "build a new homeland."

The Israeli Army Radio reported that someone claimed having seen a man on the stage near Mr. Arafat, carrying a gun hidden in a camera. The Palestinian security chief denied the report.

Even if untrue, it underscored the fact that the PLO leader is a man with many enemies, among Palestinians as well as among Israelis.

In tacit acknowledgement of that reality, he used his first speech on Palestinian soil in decades not to incite the crowd but rather to reach out to almost everyone — to opponents from the Hamas group, to Islamic militants, to other Arab leaders and to Israel, his old enemy turned peace partner.

He intended, he said, to abide by the agreements that he and the Israelis have signed over the last 10 months.

His head barely clearing the lectern, Mr. Arafat declared:

"I say to the Israeli people with whom we have signed a peace of the courageous: The peace needs more courage from all of us in order to hold up, and we must uphold this peace, just as we have signed and said to the heroes. 'The promise and oath are upheld.'"

He left no doubt that his eye remained, as ever, on Jerusalem. He said the name rhythmically three times after a litany of places in the Israeli-occupied territories where he said Palestinians would go to pray.

Some responded in a chorus, "To Jerusalem! To Jerusalem! To Jerusalem!" Undoubtedly, many Israelis hearing those words interpreted them as a call for Palestinians to capture the eastern part of the Holy City that Israel insists will remain unified and its capital for all time.

But Mr. Arafat seemed intent on avoiding fierce language that might inflame the crowd. He did not use the word *jihad* in connection with Jerusalem, as he did two months ago in South Africa, angering Israelis.

In fact, he did not even repeat his often-

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WORLD CUP GRANDSTAND

'Mourning' in Argentina

Diego Maradona, en route back to Argentina after having been caught using five variants of the banned stimulant ephedrine and banished from the tournament, flew from Dallas to Boston on Friday. There the aging superstar, who had denied having taken performance-enhancing drugs, was met by his wife and a few friends before driving off to another day of seclusion.

In Argentina, the tears were still flowing, as were the conspiracy theories. "This is a day of mourning for the nation," said Federico Storani, a member of parliament and a likely presidential candidate for the opposition Radical Civic Union party. "I also

lately believe in Maradona's good faith."

A banker in Buenos Aires told a reporter: "Everything is being lined up so Brazil can win."

And whom did Maradona blame? "FIFA," he said. "I thought the rumor against Maradona had ceased. But I now see it has not and it makes my soul ache."

Nigeria 2, Greece 0

With everyone's attention, including that of the Nigerians, focused on Dallas and the Maradona drama, a strange thing happened in Foxboro, Massachusetts. "Score for God's sake," yelled the African team's coach, Clemens Westerhof. And a second goal

scored as the game drew to a close, rocketed Nigeria to the top of the Group D standings.

Bulgaria 2, Argentina 0

Bulgaria wanted a victory, needed at least a tie, and played like it. Argentina, still in shock, played like it. The result: The Bulgarians, playing a man short for the last 26 minutes, hustled their way into the final berth in the second round. Argentina dropped from first to third in the group, but did avoid having to play dangerous Italy.

Saturday's matches: Germany vs. Belgium, in Chicago, 1705 GMT; Switzerland vs. Spain, in Washington, 2035 GMT. Sunday's matches: Saudi Arabia vs. Sweden, in Dallas, 1705 GMT; Romania vs. Argentina, in Pasadena, California, 2035 GMT. World Cup report: Pages 20 and 21

G-7 May Offer \$1.5 Billion For Shutdown of Chernobyl

By Alan Friedman
International Herald Tribune

PARIS — The Group of Seven industrialized nations are likely to agree at their Naples summit meeting next week to offer Ukraine at least \$1.5 billion to finance the shutdown of the Chernobyl nuclear plant, U.S. and European officials said.

But officials of the European Union say they are skeptical about a separate proposal being brought to Naples by the Clinton administration under which the G-7 would agree on up to \$5 billion of multilateral aid to Ukraine over the next 12 to 24 months, to be conditional upon signs of serious economic reform.

The idea of the world's richest nations in effect paying the government of President Leonid M. Kravchuk to close down the remaining two reactors at Chernobyl — which in 1986 suffered the worst accident in the history of nuclear power — is primarily a European initiative.

Ukraine pledged in April to shut down Chernobyl, but officials in Kiev have changed their estimates of the cost several times. Western leaders are worried that Ukraine might go back on its pledge because it needs the energy generated by the nuclear plant.

In recent weeks France and Germany have been keen to see the nuclear installation shut down permanently, and have been pressing for rapid action to help fi-

nance a complete overhaul of Ukraine's energy industry.

On Friday, a senior U.S. official said in an interview that Washington was ready to support the European Union's Chernobyl shutdown plan during the Naples summit meeting, which runs from July 8 to 10.

"The EU has taken the lead on this," the U.S. official said. "We're ready to back them." The official added that the amount of money involved was \$1.5 billion to \$3 billion, figures confirmed by European officials.

At the European Union's summit meeting on Corfu, Greece, last month, member

See G-7, Page 5

Brash, Bitter Boycott of Swedish Bonds

By Erik Ipsen
International Herald Tribune

The bossiness of the bond markets charmed new territory Friday when one of Scandinavia's most powerful financial institutions announced it had stopped lending money to the government of Sweden until Stockholm mended its spendthrift ways.

The boycott of government bonds by the insurer Skandia immediately sent Swedish markets into turmoil as bonds, stocks and even the krona all nosedived.

The conflict between government and leader underlines the growing importance

of bond markets in helping dictate not only interest rates but also the policies of governments dependent on bond issues.

Ironically, it also comes as the bond markets' traditional role of predicting future inflation and setting interest rates accordingly is being questioned as never before.

In launching his company's revolt, Bjorn Wolrath, general director of the insurer Skandia Forsakrings AB, condemned the government as not having "a trustworthy policy aimed at reducing its deficit." The company is one of the largest buyers of Swedish government debt.

"Skandia is not going to buy a single Swedish bond as long as the Swedish government doesn't have a trustworthy policy aimed at reducing its deficit," Johan Bergsjorn, head of Skandia's group staff, told Bloomberg Business News.

With a major buyer suddenly out of the market and with the fear that others would follow suit, pressure on the government to take action grew intensely. At stake in the near term is the success of the government's planned sale on Monday of 6.5

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In Clinton Aide's Death, Truth Is Sadder Than Fiction

By David Von Drehle
and Howard Schneider
Washington Post Service

WASHINGTON — As depression consumed him, Vince Foster found it hard to eat, to sleep. He could not concentrate at

work. His sense of humor dried up. His heart pounded and his stomach boiled.

But the White House deputy counsel was dependable to the last. Despite his illness, Mr. Foster wrapped up stray details of his late father's estate and paid the

family bills.

Only then did he kill himself. Mr. Foster's death last July was conclusively ruled a suicide by the special counsel investigating the Whitewater affair, Robert B. Fiske Jr. The investigation resolved many of the lingering mysteries surrounding Mr. Foster's death. But the largest mystery remained:

Why did the stings of Washington life, endured by so many, prove fatal for Vincent W. Foster Jr.?

Mr. Fiske's report tells the story of a

man stretched until he broke. As simple, and as mysterious, as that. In the months since Mr. Foster's body was found, the news media have been filled with theories of conspiracy and intrigue. Rumors about his death shook the stock market and dogged the president.

According to Mr. Fiske, the truth belied all the ugly glamour. Mr. Foster's death was a personal collapse, not a White House scandal.

From the pinnacle of the Arkansas legal establishment, Mr. Foster leaped into the service of his boyhood friend, after Bill Clinton was elected president. According to Mr. Fiske, the toll on Mr. Foster was intense from the beginning. During the transition period — when he vetted a number of top appointees — Mr. Foster com-

plained to his physician back in the Arkansas capital, Little Rock, of depression and anxiety.

His symptoms grew worse when he got to Washington. In January 1993, Zoe Baird was forced to withdraw her nomination as attorney general because she had failed to pay taxes for a nanny; fresh from his inauguration, Mr. Clinton was hit with charges of elitism and corner-cutting and incompetent screening. Mr. Foster blamed himself — the Fiske report shows him constantly shouldering blame for mistakes made in the chaotic White House — and the night of the Baird debacle Mr. Foster was literally sick from a panic attack.

The embarrassment was even greater

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Kiosk

Poles Act to Ease Law on Abortions

WARSAW (NYT) — In a surprising move, the Polish Senate, the upper house of Parliament, narrowly voted to ease the country's strict abortion law, thus approving a similar decision by the lower house.

But to become law the legislation must be signed by President Lech Walesa, or his veto must be overturned by two-thirds of the lower house.

Mr. Walesa, a devout Roman Catholic, consistently has said he would veto any liberalization of the current law, which was introduced early last year after a strong campaign by the Church.



SOOTHING WORDS — Prime Minister Tomitschi Murayama of Japan talks on policy. Page 5.

Dow Jones		Trib Index	
Up	21.69	Down	0.39%
3,646.65		110.98	
The Dollar		New York	
DM	1.5965	previous close	1.5873
Pound	1.5385		1.5439
Yen	98.65		98.465
FF	5.467		5.4425

Dollar Is Still Shaky

The dollar dropped to a fresh record low against the yen in Tokyo and hovered near that level in New York as traders braced for potentially wild price swings next week.

Central bank intervention, interest-rate shifts and an economic summit all loom as possibilities to buffer the U.S. currency. (Page 9)

Newsstand Prices	
Andorra	9.00 FF
Antilles	11.20 FF
Armenia	1.400 CFA
Cameroon	9.00 FF
Egypt	9.00 FF
France	9.00 FF
Gabon	960 CFA
Greece	300 Dr.
Italy	2,500 Lire
Ivory Coast	1,120 CFA
Jordan	1 JD
Lebanon	US\$ 1.50
Luxembourg	40 L. Fr
Morocco	12 Dh
Norway	8.00 Riots
Reunion	11.20 FF
Saudi Arabia	9.00 R.
Senegal	960 CFA
Spain	200 Ptas
Turkey	1,000 Dr.
U.A.E.	25,000 Dirh
U.S. Mail	(Eur.) \$1.10

Series of Errors Cited By U.S. in Downing Of Own Helicopters

By Eric Schmitt
New York Times Service
WASHINGTON — Two U.S. Air Force jets mistakenly shot down two U.S. helicopters over northern Iraq in April, killing 26 people, after controllers on an electronic surveillance plane failed to warn the fighter pilots that the helicopters were friendly, a classified Pentagon report says.

The report disclosed that some AWACS controllers knew the Blackhawk helicopters were American, while at the time other controllers on the same plane were clearing the U.S. F-15 jets to attack.

This added a new twist to the mystery of one of the U.S. military's worst self-inflicted losses in recent years.

Many of the early reports focused on the role of the fighter pilots, but as a result of the inquiry senior Pentagon officials will now have to consider the performance of the controllers on the Airborne Warning and Control System planes, their superiors at the Incirlik base in Turkey and senior commanders in Europe.

"Multiple human error was responsible for this horrible tragedy," said a senior Defense Department official.

Defense Secretary William J. Perry and his top military and civilian aides received a three-hour preliminary briefing on Wednesday on the report. Some officials said it would pin responsibility on at least eight people, including two F-15 pilots.

The ultimate decision on punishment rests with Mr. Perry, who is scheduled to receive a full briefing next week. Senior military officials expected some of those responsible to be relieved of their duties and possibly court-martialed.

A Pentagon spokesman confirmed that Mr. Perry had been briefed on the report but declined to comment.

The inquiry affirmed initial findings that the fighter pilots had misidentified the helicopters for Russian-built Hinds used by the Iraqis.

It also found that an electronic system on one of the Blackhawk helicopters designed to identify aircraft as friend or foe was operating but emitting the wrong code for friendly aircraft, according to officials here and in Europe familiar with the report.

The report also examines how the AWACS plane, a military version of a Boeing 707 with a rotating radar on the fuselage, failed.

Inside the windowless AWACS, more than a dozen controllers and their supervisors peer at separate radar scopes that track different regions. In this case, the report says, information that some controllers had was not passed along to others who were in close contact with the fighter pilots.

Accidental attacks on friendly forces is one of the military's greatest nightmares.

The Blackhawk helicopters were shot down in daylight and in good weather over the Kurdish enclave in northern Iraq. The United States and some of its allies in the Gulf War are engaged in a combined relief and military operation to assist the minority Kurds in Iraq and to keep President Saddam Hussein's forces at bay.

Following the downing of the helicopters, Mr. Perry immediately ordered a change in the rules that govern military operations in northern Iraq. Officials also began reviewing engagement procedures in other parts of the world.

Immediately after the accident, teams of investigators were sent to interview the fighter pilots, AWACS crews and U.S. ground commanders in Turkey, where the aircraft were based, and to review the wreckage and AWACS and F-15 tapes.

Fighter pilots over southern Iraq electronically interrogate suspect aircraft on many more identification channels than over the north, lessening the risk of attack.

"The lesson from this is that we cannot place the ultimate faith in electronics and that the human factor will always dictate the way things turn out," said Robert W. Gaskin, a former fighter pilot who is now vice president of the Business Executives for National Security in Washington.

Investigators and senior Pentagon officials said the failure of the "identify friend or foe" equipment, known as IFF, was but one of several critical mistakes in a chain of errors that led to the tragedy that killed all 26 people on board, including officers from the United States, Turkey, Britain and France.

The report found that an Air Force F-15, piloted by a captain in the lead position, shot down the first helicopter after his squadron commander, a lieutenant-colonel, had flown close and visually determined that the helicopters were "hostile."

About 20 to 40 seconds later, according to witnesses on the ground, the second F-15 shot down the other Blackhawk as it was trying to land.



GERMANY INAUGURATES PRESIDENT — Roman Herzog, left, being sworn in Friday at the Reichstag in Berlin before Rita Süssmuth, president of the lower house of Parliament, and Klaus Wedemeyer, right, president of the upper house. Mr. Herzog, 60, is the country's seventh postwar president and succeeds Richard von Weizsäcker.

In a Switch, U.S. to Sign Pact on Sea Use

By Steven Greenhouse
New York Times Service

WASHINGTON — After two decades of on-again, off-again negotiations, the United States has announced it will sign the Law of the Sea treaty, which Republican administrations condemned as hostile to free enterprise.

Secretary of State Warren M. Christopher said Thursday that Washington had negotiated changes that made the treaty more friendly to business.

The treaty sets comprehensive rules on seabed mining, fishing rights, oil exploration, conservation, scientific research and other matters.

Sixty-one countries have ratified the treaty, which goes into effect in November. President Ronald Reagan rejected the treaty in 1982, saying it violated free-enterprise principles by requiring mining companies to pay hefty royalties and also to share technology to help countries that could not afford to do such mining.

"We have been successful in fixing all the major problems raised by the Reagan administration," said Wesley Scholz, the

chief U.S. negotiator. "We have converted the seabed part of the agreement into a market-based regime."

Many Pentagon officials were eager for the United States to ratify the treaty because it guarantees ships the right to pass through straits while specifying that countries have full sovereignty up to 12 miles (20 kilometers) from their shores.

Administration officials said they hoped they could win Senate confirmation over the next few months, but they acknowledged that some Republicans would probably oppose it.

Conservative groups said Thursday that even the amended version places too many burdens on business.

"I think the Senate has a duty not to ratify it," said Doug Bandow, a senior fellow at the Cato Institute who was a special assistant to President Reagan. "This treaty comes out of an era when socialism ruled in the Third World and all the talk was redistribution of wealth."

In negotiations that ended early in June, Washington persuaded other countries to delay establishing royalty payments and to drop production quotas that the treaty had

set for private seabed-mining companies.

Mr. Scholz also said the United States and other industrial countries would have a veto over decisions by the new International Seabed Authority based in Jamaica.

Testifying to the Senate Foreign Relations Committee, Mr. Christopher said: "It's an extremely important treaty and I think it's very desirable that we have been able to obtain from the other members satisfactory amendments to the seabed-mining provisions that enables us to approve the treaty as a whole."

The Law of the Sea treaty has created disputes between rich and poor countries because of its underlying premise that the oceans and the seabed are a common heritage that must be shared through a "just and equitable economic order."

Washington officials say the amended provisions seek not to redistribute wealth but rather to create incentives for mining. Mining companies would no longer have to pay \$1 million a year for seabed exploration rights. The negotiators persuaded poorer nations to drop provisions that would have required transfer of mining technology.

Russians in Estonia Feeling a Local Chill

By Steven Erlanger
New York Times Service

TALLINN, Estonia — Estonians have turned off the eternal flame at a Soviet-built memorial honoring people who fought the Nazis in World War II, and they have removed "for cleaning" the plaques bearing the names of war dead.

Pavel Voronin, who commanded a Soviet anti-aircraft battery during the war and retired from the army at 65, seems shocked at everything in Estonia, which is once again sovereign and running toward the West as fast as it can.

The mothballed memorial especially appalled him. "Now the Estonians say we shouldn't have bothered defending them, as if they would have preferred it under the Germans," Mr. Voronin said. "They're forgetting how much we helped them."

Estonians do not recall their decades under Soviet occupation with gratitude. Many thousands of Estonians were killed or deported. Russians and other loyal Slavs, like Mr. Voronin, were sent to crush the Estonian state, dilute the population and hold the ground for the Soviet Union.

Now, non-Estonians, most of them ethnic Russians, make up about 37 percent of the population of 1.6 million.

To make a gesture toward the three plucky Baltic nations — Estonia, Latvia and Lithuania — President Bill Clinton will stop in Riga, Latvia, on July 6, the first U.S. president to visit the Baltic republics since the collapse of the Soviet Union.

He will find a furor in Latvia over questions of citizenship and language rights of the Russian population, the same ques-

tions that are so prevalent in neighboring Estonia.

Now 75, Mr. Voronin feels out of place in the new Estonia. But that is precisely the point the Estonians make — he is supposed to feel out of place. The Estonians have made their own language dominant again and Russians who want to become citizens must show a degree of competence in it.

Written Russian is slowly disappearing from the streets and English is the favored foreign language in schools.

There are some local Russian-language newspapers, but the main Russian television channel, Moscow-based Ostankino, is no longer available to everyone, supposedly because of the cost. It is still offered to those 60 percent or so with cable.

Nina Makarova, 61, is studying Estonian to try to pass the citizenship examination, and said she feels stupid trying to learn a language at her age. She never bothered before.

Mr. Voronin's wife, Valentina, said: "We're no longer sure of ourselves here."

Her husband, who belongs to a club of army veterans, says most members go the club without their medals: "They're afraid to wear medals in public. People wear at them. They used to throw flowers at us. Now they throw words."

Despite the complaints, most Russians are coming to terms with the new Estonia, where nearly all have chosen to stay. Many ethnic Russians do not have any clear place to go in Russia, they say, but they also admit that this is a cleaner, more modern place to live and that the economy is much better.

Nikolai Yugantsev, 44, is head of the Representative Association of the Russian-Speaking Population, with offices at the Tallinn Garrison's Officers Club.

He says that only about 48,000 ethnic Russians in Estonia have chosen to become Rus-

sian citizens, while 65,000 were already entitled to Estonian citizenship even though not all have taken it. The rest are dangling between the two countries or planning to be naturalized.

After the December 1991 collapse of the Soviet Union, Estonia reinstated its prewar citizenship laws, which set conditions for non-Estonians to become citizens. Those who are neither Estonian nor Russian citizens are considered in Estonia a form of resident alien.

"Estonia wants to push them out but Russia is not eager to have them back," Mr. Yugantsev said. Estonian officials deny publicly they want to get rid of the Russians but in private they just shrug.

Russians are less worried about deportation these days, but there are a lot of rumors and bureaucratic problems, especially about travel documents for leaving and returning to the country, and also the need to pass Estonian-language tests to keep their jobs.

Airbus Test Flight Was Too Low at Time of Fatal Maneuver

TOULOUSE, France — A wide-body Airbus A-330 that crashed on a trial flight, killing seven crew members, was flying too low when it went through a series of compulsory tests, the head of the European Airbus Industrie consortium said Friday.

"This trial was done in extreme conditions, notably at an altitude of 400 meters instead of 2,000 meters," the official, Jean Pierson, said at a news conference. Those lower height is 1,300 feet.

"This altitude did not allow the

crew, which regained control of the plane, to avoid impact with the ground," he said.

The crew was testing an automatic pilot in a trial sequence that lasted 60 seconds from the A-330's release of brakes to its fatal crash at the end of the Toulouse-Blagnac airport runway.

The trial consisted of putting the plane into a steep climb at low speed after take-off, simulating an engine failure and cutting off a hydraulic circuit related to the engine.

Airbus said the trial was compl-

sory and involved testing the autopilot in order to meet mandatory certification requirements for all-weather landings with the U.S.-made Pratt & Whitney engines.

"In about two weeks' time, we will decide whether to repeat the test under less extreme conditions," Mr. Pierson said. There was no evidence that the autopilot needed to be modified, he added.

He said Airbus's British chief test pilot, Nick Warner, had taken control of the plane after the simulated

failure of the left engine, but too late to avoid the crash.

Because the A-330 was a test plane, it carried instruments that transmitted flight information to a ground station, which allowed experts to start analyzing the crash without having to wait for the "black box" flight recorders, Airbus said.

A team of 40 investigators was trying to discover why Europe's biggest twin-engine passenger jet crashed in the 10th fatal accident involving an Airbus in six years.

WORLD BRIEFS

AIDS Rose 60% in Year, WHO Says

GENEVA (AP) — The estimated number of AIDS cases worldwide increased from 2.5 million to 4 million in the last 12 months — a rise of 60 percent, the World Health Organization said Friday.

Sub-Saharan Africa had the highest number, at 2.5 million, the UN agency added. But Asia experienced an eightfold increase, from more than 30,000 to 250,000, it said. "The global AIDS epidemic is now spreading in Asia faster than anywhere else in the world," according to Dr. Michael Merson, head of WHO's global program on AIDS.

The report said 16 million adults and a million children have been infected by the human immunodeficiency virus, or HIV, which causes AIDS, since the epidemic took hold in the early 1980s.

Italy's Ex-Communists Pick Leader

ROME (NYT) — Reeling from electoral defeat, Italy's Democratic Party of the Left, the former Communist Party, on Friday chose its deputy head, Massimo D'Alema, to replace Achille Occhetto as leader.

The ballot by the party's national council gave Mr. D'Alema 249 votes to 173 for Walter Veltroni, contrary to an earlier survey of local federations placing Mr. D'Alema, a 45-year-old party stalwart and former journalist, second to Mr. Veltroni, the 39-year-old editor of the party newspaper, L'Unità.

Some leftists depicted the outcome as reflecting the power of the party's traditional power brokers. "D'Alema seems to be a little more assuring for a certain type of apparatus," said Massimo Cacciari, the mayor of Venice. The election result still has to be confirmed by a party congress later this year.

94 Die in Mauritanian Plane Crash

NOUAKCHOTT, Mauritania (AP) — An Air Mauritania passenger plane crashed Friday at an airport in the central part of this West African nation, killing 94 of the 101 people on board, aviation authorities said.

A sandstorm appeared to be a cause of the accident, the officials said. But they said they were receiving different accounts from the scene, which occurred as the Fokker 28 was landing at Tidjikja, in a mountainous region of Mauritania.

The plane was on a flight from the capital, Nouakchott, to Tidjikja, a regional capital, the agency said. Most if not all of the passengers were Mauritians, the Mauritania press agency said.

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The cease-fire on Friday collapsed within an hour when northern forces opened fire with artillery and rockets on Aden residential areas, according to the Aden News Agency. "Since 7:30 this morning, the Sana'a forces pursued their brutal assault operations to advance in the direction of Aden," the agency said.

U.S. Base Takes 500 More Haitians

GUANTANAMO BAY, Cuba (NYT) — Coast Guard cutters delivered 500 more Haitian refugees here Friday, bringing the total to 1,956 since the camps opened Wednesday at this U.S. naval outpost in southeastern Cuba. Hundreds more remained offshore aboard U.S. ships waiting for shelter to go up.

The Coast Guard intercepts about 1,000 Haitians a day, and the Haitians are flowing in faster than the 1,700 soldiers can pitch tents. The army officer in command of the task force here said the camps could reach their limit of 12,500 within days.

Haitians here say the combination of increased economic sanctions against Haiti's military regime, heightened oppression by the security forces, and a new administration immigration policy that many Haitians perceive as more lenient, will send even larger numbers of new refugees to sea in rickety boats.

TRAVEL UPDATE

Canada Bans Smoking on All Flights

OTTAWA (AP) — A smoking ban that covers all flights on Canadian commercial airlines went into effect Friday.

Only one airline's flights to Japan are exempt, and only temporarily. The federal government on Thursday granted Canadian Airlines an extension until the end of August so it can honor tickets already sold to smokers.

The ban makes Canada the first country in the world to outlaw smoking on all domestic and international flights.

Iran Air has inaugurated its first scheduled passenger service from the Netherlands, a spokesman at Amsterdam's Schiphol Airport said Friday. Weekly nonstop passenger flights to Tehran on a Boeing 747 depart Sunday mornings. (AP)

Subway service came to a halt in the Armenian capital, Yerevan, on Friday as engineers began a three-day strike. (Reuters)

A proposal to ban smoking on a stretch of beach at the British resort of Bournemouth has been rejected by a town council committee. Under the plan, 100 to 200 yards of the town's seven miles of beaches would have been designated as a nonsmoking area. (Reuters)

Cambodia has approved a \$500 million casino to be built on an island off the southern coast, Tourism Minister Veng Sereyuth said Friday. An international airport will be built at Sihanoukville to serve as a gateway to the casino, he said. (Reuters)

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THE AMERICAS / A GRAND STRATEGY?

Clinton's Tack in a Confusing World: Putting 'Crisis Prevention' to Work

By Thomas W. Lippman
Washington Post Service

WASHINGTON — In the Clinton administration, foreign policy is often criticized as lacking consistency and coherence. One consistent and coherent theme has begun to emerge: "crisis prevention."

Secretary of State Warren M. Christopher first mentioned it last summer, putting it near the top of his list when asked to outline the priorities that would guide the administration in a confusing post-Cold War world.

The idea, as defined by Mr. Christopher and other senior officials, is to recognize and head off humanitarian, environmental, political or military crises before they explode.

The theme surfaced most recently at a White House conference on Africa this week, when President Bill Clinton said the administration would develop new policies to "help the nations of Africa identify and solve problems before they erupt."

This is not the grand strategy that the administration's critics say it does not have, but administration

officials find it useful as a way of thinking about a confusing world.

For the first 18 crisis-plagued, patrol-filled months of the administration's tenure, this approach was mostly verbiage, and obscured by arguments over Somalia, Bosnia-Herzegovina and other trouble spots.

But now there are a few places where it is being translated into action:

• At the Agency for International Development, where the director, J. Brian Atwood, is trying to mobilize an international effort to combat a massive famine predicted for next year in the Horn of Africa.

The goal is to "help people before they leave their homes, kill their livestock and eat their seed," Mr. Atwood said. With satellite photos showing conditions of likely famine, the agency has authorized up to 100,000 tons of emergency food resources budgeted for next year to be shipped to the region.

• At the Defense Department, which is developing a "counterproliferation initiative" aimed at preventing potentially hostile nations from acquiring or developing weapons of mass destruction.

The Pentagon is planning to spend about \$400 million next year on programs such as the development of nonnuclear weapons capable of destroying deep underground bunkers and of remote sensors to detect the presence of chemical weapons. The objective is to persuade threatening nations that acquisition of weapons of mass destruction will not give them the battlefield advantage they anticipate.

• At the Arms Control and Disarmament Agency, where negotiators are trying to round up support for Mr. Clinton's proposed treaty banning the production of plutonium for nuclear weapons.

• In the State Department's new global affairs unit, directed by Undersecretary Timothy E. Wirth, which is supporting an international conference on population scheduled for Cairo in September. U.S. spending on population "stabilization" programs can be expected to double from the current \$500 million a year, Mr. Wirth said.

Congress agreed to create the global affairs unit at the administration's request. Its mission is to develop multinational programs to protect the environment, aid refugees, reduce narcotics production and

encourage indigenous self-help groups in developing countries.

One obvious flaw in a crisis-prevention approach is that it provides no guidance on how to respond to crises that do occur, such as the war in Bosnia.

Another is that there is very little money available for aid programs. The United States is now last among 21 industrialized nations in the percentage of gross national product devoted to foreign aid, behind Ireland and New Zealand, according to a new report by the Organization for Economic Cooperation and Development.

But Mr. Christopher, Mr. Wirth, Mr. Atwood, the White House national security adviser, W. Anthony Lake, and other officials have said that crisis-prevention strategies can be effective in the post-Cold War era because it is possible to organize programs regionally, instead of country by country.

"The challenge of diplomacy is to anticipate, and prevent, the crises of the future," Mr. Christopher told a House subcommittee in March.

"Compare the cost of conflict resolution in the former Soviet Union to the price we would pay if the region were consumed by war," he said. "Compare

the cost of diplomatic action to curb the spread of nuclear weapons to the price we would pay if rogue states engaged in nuclear blackmail. Compare our share of the cost of UN peacekeeping to the price of unilateral military action. And compare the cost of promoting development and democracy to the price of famine and human displacement."

Mr. Christopher noted that these efforts "do not always make the front pages."

"But that is to some extent a tribute to their success: A crisis averted is rarely reported."

Critics find such assessments self-congratulatory and not necessarily justified.

For example, administration officials list among their crisis-prevention initiatives Deputy Secretary of State Strobe Talbott's long-shot campaign to persuade India and Pakistan to curtail their nuclear-weapons-development programs.

But the United States has been pursuing that objective for 20 years, and Mr. Talbott went to South Asia only after the administration had infuriated India by failing to send an ambassador for a year, while publicly offering to deliver new combat jets to Pakistan.



Fred Goldman, whose son Ronald was one of the victims, at the Simpson case hearing.

Bloody Dog Led to Scene Of Simpson Slaying

LOS ANGELES — Two witnesses testified Friday that a blood-splattered dog belonging to O.J. Simpson's former wife, Nicole Brown Simpson, had led them to her body.

Appearing on the second day of a court hearing to decide whether Mr. Simpson, the actor and former football star, will stand trial on double murder charges, Sukru Boztepe and Bettina Rasmussen said they were led to the murder scene near Mrs. Simpson's home shortly after midnight on June 13 when they were trying to find the owner of a lost dog.

"The dog stopped and looked to the right," Mr. Boztepe said. "I looked to the right too. I saw a body. It was woman lying down horizontally all the way to the path. Her face was turned to me on the right side."

"There was a lot of blood," the witness added.

The dog, a large white Akita, later proved to be Nicole Simpson's.

Ms. Rasmussen said she only looked at the body for a second. "It was such a big shock, I turned around very fast," she said.

Both witnesses were shown a picture of the murder scene showing Mrs. Simpson's body. Mr. Simpson, sitting at the defense table, also was able to see it and became upset, taking deep breaths, sighing heavily and wiping his hand across his face.

His attorney, Robert Shapiro, put his left arm around Mr. Simpson's shoulder to comfort him.

Mr. Simpson has pleaded not guilty to the murder of his 35-year-old former wife and her friend, Ronald Goldman, 25, a writer and aspiring model.

Both were stabbed to death outside Mrs. Simpson's apartment late at night on June 12. Another witness, Steve Schwab, said he was walking his dog at 10:55 P.M. when he spotted the Akita.

He said the dog had appeared agitated and had blood on all four paws.

He said the Akita followed him home and after he had put his own dog in his apartment he tried to take the Akita for a walk to find its owner but the dog resisted.

Around 11:40 P.M. Mr. Boztepe came home and found Mr. Schwab sitting in the pool area of the apartment complex with the large white dog.

Mr. Boztepe said that he and Ms. Rasmussen had agreed to keep the dog overnight and take it to an animal shelter the next morning. But it became very distressed when they took it to their apartment and clawed at the door to get out.

He said that around midnight he and his wife decided to take the dog for a walk to see if it would lead them to its owner.

In another development in the case, sealed evidence was produced in the courtroom.

The municipal judge who is conducting the pretrial hearing, Kathleen Kennedy-Powell, announced that Mr. Shapiro had met in private with a Superior Court judge, Lance Ito. She said that he had agreed to appoint a retired judge, Delbert Wong, as a "special master to accompany counsel for the defendant to recover certain items of real evidence, to place any such real evidence under seal and return any said items to this court."

"Judge Wong recovered certain items related to the matter," said Judge Kennedy-Powell. "They are in the envelope here that I am holding in my hand," she added, holding up a large manila envelope.

When the judge said she proposed to open the envelope, Mr. Shapiro objected. Judge Kennedy-Powell said she would make a decision after seeing motions from both sides.

Health Plan Clears Obstacle

But the Outlook Still Looks Troubled for Clinton Reform

By Robin Toner

WASHINGTON — In a major victory for the White House, the House Ways and Means Committee approved legislation that promises health insurance to every American and requires their employers to pay for the bulk of its costs.

But the narrow 20-to-18 vote, achieved without the support of a single Republican after a fiercely partisan debate, signaled the difficulty ahead for President Bill Clinton in his struggle to overhaul the health care system.

And there was another bad omen for the president from the Senate: The Finance Committee, still at work on its own bill, solidly rejected the idea of putting a new requirement on employers to pay for their workers' insurance, even as a backup if voluntary measures fail to meet the goal of expanded coverage.

The Finance Committee vote, on a proposal by Senator Daniel Patrick Moynihan, the panel's chairman, was 14 to 6, with five Democrats joining the Republican opposition.

Mr. Clinton hailed the final vote by the Ways and Means Committee late Thursday as "a giant stride forward on the road to comprehensive health care for all Americans." Moments after the exhausted committee completed its work, the presi-

dent phoned his congratulations to Representative Sam Gibbons, the 73-year-old Florida Democrat who was thrust into the chairman's job last month after the indictment of Representative Dan Rostenkowski of Illinois on corruption charges.

The House bill, after more than a month of deliberation and voting, preserves two of the central principles put forth by the president: universal coverage and the requirement that employers assume 80 percent of its cost for their workers.

But the committee's bill has its own twist: It proposes the expansion of Medicare to create a "safety-net program" that would be available to businesses that employ fewer than 100 people or individuals who do not have access to health coverage through work.

"This bill, I think, will answer what Americans have been asking for a long time," Mr. Gibbons said, "guaranteed access to the health care system, the kind of access that can't be canceled or taken away from them, and the one that they can get in their customary way, through their employer."

■ Perot to Fund a Forum

Richard L. Berke of The New York Times reported from Washington: Ross Perot has offered the

Republican Party at least \$1 million dollars to produce a nationally televised program to critique Mr. Clinton's health care plan, according to Republican officials.

The officials said they were near agreement with Mr. Perot, though they have not officially accepted his offer. The program would be one hour or longer in prime time. While its content would be determined by the Republicans, Mr. Perot might appear in it.

Mr. Perot, who has faded from public view in recent months, has been rebuffed in recent efforts to buy time on television networks. An arrangement with the Republicans would allow him to begin restoring his image by seizing a platform on the most talked-about issue in the capital. It would also serve as a nod from Republicans that Mr. Perot, who ran as an independent candidate for president in 1992, is still a political force.

For Republicans, in addition to the money, an alliance with Mr. Perot might give the party an opportunity to begin winning back many Republicans who voted for Mr. Perot, a billionaire who campaigned with an anti-Washington theme. It also could help them break down support for the Democrats' health-care proposals.

and well-informed caretaker. A moment's lapse can spell disaster. Never assume that a child who has taken swimming lessons or is using a flotation device can safely be left unattended, even just to answer the door.

Short Takes

Tobacco companies can be sued for allegedly targeting teenagers in their advertising, the California Supreme Court has ruled. So Janet Mangini of San Francisco can proceed with her lawsuit against the R.J. Reynolds Tobacco Co., which she accuses of improperly wooing children with its hip Joe Camel mascot, emblazoned on items ranging from T-shirts to soda can holders. Mrs. Mangini claims the ads encourage minors to smoke—a violation of California law. The company argued that only the federal government could regulate its advertising. The court disagreed, saying that federal law does not bar states from controlling cigarette promotions.

Leather shoes with racing stripes have dominated the athletic footwear market for a couple of decades, but the classic Jack Purcell shoe, made of canvas and free of racing stripes, is making a comeback. The New York Times reports. Named after the Canadian who was world badminton champion from 1932 to 1945 and manufactured by Converse, the Jack Purcell features a layered rubber toe extending across the top of the shoe. Burt Holland, a New York shoe buyer, says that "sales are up about 20 percent over last year."

International Herald Tribune

★ POLITICAL NOTES ★

Jail Gave 'Vision' to Mayor

WASHINGTON — The former District of Columbia mayor, Marion F. Barry Jr., says that the time he served in prison on a drug charge helped make him "uniquely qualified" to be mayor again because he used it to reflect on what had gone wrong in his administration and what he could do better in the future.

"I now know what didn't work right," Mr. Barry said. "I have a very good idea of what needs to be done in terms of a vision for the city. I have the energy, experience, wisdom, tenacity, courage, insight," he said.

Mr. Barry, during a lunch with Washington Post editors and reporters, called his recovery from drug and alcohol abuse "remarkable." He said he now has a new lifestyle that includes prayer, a psychoanalyst, a new wife and attendance at Alcoholics Anonymous meetings "periodically" or "one a week, when I can make it."

Mr. Barry contended that he is the most qualified of the candidates running for mayor, including Mayor Sharon Pratt Kelly and a veteran at-large council member, John Ray, because running the city "is not a job for a novice."

Mr. Barry served three terms as mayor or from 1979 to 1991. He was arrested in a 1990 FBI sting operation in which he was videotaped smoking crack cocaine in a Washington hotel room. (W/P)

Fighting Domestic Violence

WASHINGTON — A national campaign to end domestic violence, modeled on similar efforts to curb drunken driving, has been launched, with its sponsors arguing that the problem cannot be seen as a private matter.

The Family Violence Prevention

senators said they would filibuster Congress's big anti-crime bill if it included "racial justice" provisions, and proposed that billions of dollars the Democrats have earmarked for crime prevention should be used instead to build more prisons.

They also urged that proposed curbs on the manufacture and sale of semiautomatic assault weapons, which were approved by both houses, be dropped from the final version of the bill.

The leader of the minority Republicans in the Senate, Bob Dole of Kansas, charged that House-approved measures intended to prevent racial bias in death sentencing are "a back-door effort to gut our nation's death penalty laws" and called for their rejection by a House-Senate conference that is drafting the final version of the bill.

Asked if Republicans would talk the whole bill to death if it includes any racial-justice provisions, Strom Thurmond, Republican of South Carolina, said, "The answer is yes."

The Senate went on record recently as opposing the House racial-justice language, 58 to 41. It takes 60 votes to break a filibuster. (W/P)

Quote/Unquote

Sam Gibbons, acting chairman of the House Ways and Means Committee, on the health reform bill: "This bill, I think, will answer what Americans have been asking for for a long time — guaranteed access to the health care system, the kind of access that can't be canceled or taken away from them, and the one that they can get in their customary way, through their employer." (NYT)

Away From Politics

• A judge awarded \$529,836 plus benefits to a Vassar College professor whom the judge ruled was unfairly denied tenure because she was married as well as because of her age, which was 53 when she applied for tenure. U.S. District Judge Constance B. Motley said Cynthia Fisher was unfairly denied tenure in 1985 by the school in Poughkeepsie, New York.

• The plane crash that killed 23 soldiers and injured 100 at Pope Air Force Base in North Carolina on March 23 was caused by a "chain of errors" by civilian and military air traffic controllers, the U.S. Air Force says. The casualties occurred when an F-16D fighter and a C-

130 transport collided less than 300 feet above the ground.

• A crash test dummy that represents a woman seven months pregnant has been developed by the auto industry. "This one is probably the last member of the family to be studied in crash tests," said David Viano, a research scientist for General Motors Corp. The dummy is 4-foot-11, 110 pounds, and in the seventh month of pregnancy. Inside is a dummy fetus suspended in urethane gel that mimics amniotic fluid.

• Older women who take the female hormone estrogen are able to think and remember more keenly and are better able to handle intellectual challenges, a researcher reports. Dr. Uriel Halbreich

of State University of New York at Buffalo said that estrogen does not create sudden genius, but that there is a "clear and significant" improvement in mental ability from the hormone.

• Ultraviolet radiation, which is growing more intense on Earth because of thinning ozone, may be knocking out an insect larvae that is a favorite food of North American freshwater fish. In a study published in the journal Science, Max Bothwell of the National Water Research Institute in Burlington, Ontario, said that a type of solar radiation called ultraviolet-B, or UVB, is so damaging to the midge larvae that, over time, there could be a decline in the population of freshwater fish. AP, NYT

Pilot Mishaps Send Jet Diving

By Don Phillips

WASHINGTON — A pilot searching for a place to put a box of soft drinks and coffee

began a trail of errors that sent an American Airlines jumbo jet into a dive over Jamaica, injuring 17 passengers and crew, federal safety officials said Friday.

The incident gave new impetus to proposals that passengers be required to keep seat belts fastened at all times when seated. The most seriously injured passenger, who underwent surgery for a ruptured spleen, was seated but not belted and apparently hit the ceiling.

American Flight 901 from Miami to Buenos Aires, a McDonnell Douglas MD-11 with 80 passengers aboard, was in level flight shortly before 1 A.M. Wednesday when it went into a 3-second dive followed by a 16-second bumpy recovery, according to a spokesman for the National Transportation Safety Board.

According to the safety board and Robert Baker, executive vice president of operations for American, the plane at that point was being flown by a reserve first officer while the captain was on a break. The regular first officer remained in his seat on the right side of the cockpit.

At 12:54 A.M., about an hour and 20 minutes into the flight, a flight attendant brought a box of soft drinks, coffee and water to the cockpit. Mr. Baker said

crews have discovered that the only stable place to sit the box is on the footrest of the jump seat behind the first officer. But the first officer's seat was too far back to allow the tray to fit.

Trying to be helpful, the reserve first officer reached over to the first officer's seat latch to move the seat forward, without telling the first officer.

The seat moved forward, apparently startling the first officer, pushing him into the control column. The MD-11 autopilot, which was engaged, is designed to turn itself off if the control column is moved

manually and held out of position for three seconds. With the column pushed forward and the autopilot off, the plane abruptly nosed down.

The crew had a "good recovery" at that point, a board spokesman said, stabilizing the plane within about 16 seconds.

"They're pretty shook up over the whole thing," Mr. Baker said.

The plane returned to Miami at 2:05 A.M., and injured passengers were removed.

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AMERICAN TOPICS

Summer Safety Tip for Parents: Fence In That Swimming Pool

Children under the age of 5 are 14 times as likely to die in a swimming pool as in a motor vehicle, The New York Times reports. Too many people with residential pools rely on admonitions about not going near the pool alone, the false security of swimming lessons and flotation devices, and the often misguided belief that they will watch closely and constantly when a child is in or near the pool.

The Consumer Product Safety Commission says a fence or comparable barrier completely surrounding the pool is the best preventive, reducing the risk of pool drownings by about 70 percent. It is just as important to fence in an above-ground pool as a ground-level pool, since a small child can easily climb the ladder and fall into the water.

A fence at least five feet (1.5 meters) high, with vertical slats and no footholds or handholds, is recommended. The gate of the pool fence should close automatically, open away from the pool and be secured by a self-latching mechanism that is out of the reach of small children.

Pool covers also are recommended. And, above all, vigilance. Children in or near pools must be watched constantly by a responsible

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Herald Tribune

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The Jerusalem Question

Now that Yasser Arafat, chairman of the Palestine Liberation Organization, is making his first visit to the new Palestinian self-rule areas of Gaza and Jericho, it is only a question of time before he takes off on the curving road to Jerusalem to pray on the Temple Mount. At that moment the issue of Jerusalem, a city that touches the deepest passions of both Israelis and Palestinians, comes into its own.

Israel, to win favor for its claim to possess all of its "eternal" capital, has promised access to holy sites for all "pilgrims." Yet to many Israelis, Mr. Arafat is not a pilgrim but a terrorist, and although the government grants his "right" to come subject to "timing" and "arrangements," huge numbers vow to block his way.

Last fall's Israeli-Palestinian peace accord put Jerusalem on the list of tough issues meant to be deferred for two years. Anyone who has been around Jerusalem, however, could have told you the issue cannot be deferred. Jerusalem, which held West — or Jewish — Jerusalem in 1948, occupied East — or Arab — Jerusalem after Jordan attacked in 1967, and then annexed and greatly enlarged it and pronounced its deed "non-negotiable." Israel did this over the almost universal insistence elsewhere that in light of the extraordinary significance of the city to different peoples and faiths, its future could not be determined unilaterally. Only Costa Rica

and Zaire recognize West Jerusalem as Israel's capital; no nation recognizes East Jerusalem as Israeli territory.

Nothing matches the feeling Israelis have for Jerusalem, except the feeling Palestinians have for Jerusalem. For both, it is the political, religious, cultural, intellectual and psychological heart of their nation. A final peace cannot even be dreamed of without mutual satisfaction. At the moment the area of consensus is pitifully small. The parties cannot agree on much more than that the city must not again be physically divided, as it was when Arabs divided it in 1948-67.

Israeli resistance to change in the status quo created by Israeli arms is as intense and politically sensitive as is Palestinian insistence on bringing about change. On each side, nonetheless, are people prepared to think of ways to satisfy the legitimate core interests of the other. Their mission is not impossible, merely wildly difficult. The American position is, to put it mildly, equivocal: It has long withheld approval from (and sometimes criticized) Israel's occupation of Arab Jerusalem. But it has also provided Israel the time and political space to impose much of its design on the whole city. It is not too early for the United States to start thinking of how to be helpful as the parties engage the issue.

—THE WASHINGTON POST.

More Whitewater Ahead

The "Washington" phase of the special prosecutor's Whitewater inquiry is nearly finished. Questions about the behavior of the former White House counsel, Bernard Nussbaum, remain unanswered. And the truly important part — the "Arkansas" phase — is still to come.

Even so, senior officials at the Treasury Department and White House believe the case now that Robert Fiske has concluded that they did not act "with the intent to corruptly influence" a federal investigation into whether funds deposited in Madison Guaranty Savings & Loan were diverted to Bill Clinton's 1984 gubernatorial campaign and Whitewater Development Co.

Mr. Fiske asserts that these officials did not criminally obstruct justice as defined in Section 1505 of the U.S. Code. But an action does not have to rise to the level of criminality to be labeled stupid, irresponsible and improper behavior by government officials. That is the only way to describe the three meetings at the heart of Mr. Fiske's inquiry.

On Sept. 29 and on Oct. 14, 1993, Jean Hanson, Treasury's general counsel, briefed White House officials on the Resolution Trust Corp.'s investigation into Madison Guaranty, which had resulted in criminal referrals naming the Clintons as possible beneficiaries of illegal activities at the Arkansas savings and loan. Then, last Feb. 2, Roger Altman, the deputy Treasury secretary, gave White House aides a "heads up" on the same investigation.

Lloyd Cutler, brought in by Mr. Clinton to stir through the ethical wreckage at the White House, said he was "pleased" by Mr. Fiske's conclusion — although he did have the minimal grace to concede that "some of these contacts may have been inadvisable." That description is inadequate to the point of silliness.

What was going on was that Mr. Nussbaum, Mr. Altman and Ms. Hanson, along with such White House aides as George Stephanopoulos and Harold Ickes, were meddling in the cabinet departments to try to control inquiries into the president's finances. Though their behavior has now been judged legal, the fact remains that this administration from its first days has shown a reckless tendency to put the president's desire for a question-free existence ahead of the independence of law enforcement and regulatory officials.

The clumsy handling of the late Vincent Foster's records is a case in point. On that count, Mr. Nussbaum is not out of the woods yet. Mr. Fiske will report soon on Mr. Nussbaum's dispersal of Whitewater files left behind by Mr. Foster, the deputy White House counsel whose death Mr. Fiske has now ruled a suicide.

Nor are the Clintons out of the woods. With the Washington inquiries virtually over, Mr. Fiske turns now to the task that will determine his credibility as a special prosecutor. That involves Madison Guaranty, Whitewater and all those not-so-long-ago dealings of an ambitious political couple and the interesting friends who were so eager to do them financial favors.

—THE NEW YORK TIMES.

Writing Up Health Care

In the House of Representatives, the task of writing a health care reform bill now moves from the Ways and Means and Education and Labor committees to the Democratic leadership. The leaders will have to blend the two committees' bills into a single product to be taken up on the floor. In the Senate, the same thing will shortly be true.

The leaders will try to produce bills that come as close as possible to President Bill Clinton's goals of fully financed universal coverage with cost containment — and that can pass. Attention will naturally focus on the broader architecture of these measures: Will they or won't they include employer or mandates, for example. But the leaders need to pay close attention to these bills at the next level of detail as well.

Under great political pressure and in a matter of weeks, they will be called upon to accomplish the extraordinary feat of composing entire health care plans. Because the risk exists that these plans could pass, they need to be workable. When the bills were at the committee level, there were a lot of free votes. A provision could be included to accommodate an interest group or member, and it did not matter if it was paid for or made good policy sense, because at a later stage there would be a chance to fix it or take it out. The leaders have less of that luxury, and a number of problems have been found in the fine print of some of the committee proposals.

All of these bills involve subsidies to help lower-income families buy insur-

ance. The subsidies phase out as income rises. The phaseout is the same as a tax. The government "takes" a percentage of every extra dollar that the family earns by reducing the family's subsidy. When you count both taxes and benefit phaseouts, lower-income families already face much higher marginal tax rates than is generally understood. Counting the phaseout of the earned-income tax credit, the rate for working parents just above the poverty line turns out to be close to 50 percent.

Some of the health care plans under consideration would drive this figure as high as 70 percent, a new study calculates. Some of the plans also would have the unintended effect of encouraging employers who now provide employee health insurance to put their employees on the public rolls instead — and some contain well-intentioned spending caps that would squeeze beneficiaries hardest just when they have the greatest need during a recession.

All of the committee bills also rely to some extent on managed competition to cut down costs. At the same time, however, some contain "any willing provider" and other provisions included at the behest of the medical profession that would reduce the effectiveness of such competition. The plans are at war with themselves. They need to be straightened out. Nor are these the only such kinks. The leaders are going to need a vast amount of help in the serious process about to begin.

—THE WASHINGTON POST.

Let North and South Set a Global Contract

By François Mitterrand

The writer is the president of France.

PARIS — How can we accept that millions of men, women and children in the poor Southern countries continue to die in front of our television cameras? If these awful sights lead us to feel compassion, that is all very well. But our reactions of late have too often been only capricious.

I fear that those of us in the richer countries of the North have gone in recent years from an embarrassed indifference to a smug indifference about it all. Each country, it seems, is now only concerned with its own backyard. Any interest in development has dwindled. Some governments are even saying that if the poor countries can't get out of their crisis, it is their own problem and probably their own fault because they are not trying. This is a tragedy.

The truth is that our entire planet will become uninhabitable if we buy into the illusion that we need only make it habitable for the few. It is foolish to believe otherwise. It is first of all makes sense from the standpoint of expanding trade to incorporate everyone into the global economy; and if we create some kind of a global outclass by excluding whole parts of the globe from growth, then diseases such as AIDS, the flow of drugs and the environmental destruction wrought by poverty will duly exact their price on the smug

in times to come. For these reasons we need to make sure the poor countries do not stay on the fringe.

Inequalities continue to grow despite the claim that the global market is the panacea for all ills. Relying on humanitarian assistance and the rules of the market are insufficient to cope with a situation where one-fifth of humanity lives below the poverty line.

What we need instead is a "development contract" between the North and the South. We need a single global view on development, just as there is a single global view on the environment that emerged from the Rio summit.

Such a contract must be based on a new international ethical-moral code. I know this has been said before and some have disparaged it. But if we do not start with that we won't get very far.

Development aid must become something more than a means to help the poor countries respect their financial obligations; it must be a means to help bolster respect for social and moral contracts within societies and within the world community.

It is all linked together. If no development takes place, then there can be no lasting domestic peace in these countries torn by strife. In the midst of poverty and strife it is impossible to set up a state of law and respect human



rights. If development is only considered in its financial dimension, so that a country can join a world where market forces continue to rule supreme, then social equilibrium and equality will continue to be broken and strife will continue to break out.

For its part, the South needs to understand that it is impossible to have economic prosperity without democratic efficiency. Only in a democracy is it possible to settle conflicts without force and violence. Only when a democratic state exists will citizens be able to ensure continuity in the management of a country.

For this reason, the developed countries have to concern themselves with the rule of law in the South. The protection of minorities under the law is something

that should be a particular focal point. The new South Africa is a very good example to follow.

There are three elements to the development contract I propose: Development aid. If all the industrialized countries that will be meeting July 8-10 in Naples would commit to a goal of setting aside 0.7 percent of their gross domestic product to development aid, \$130 billion would be made available for investment in infrastructure, education and health in the poor countries.

I am not suggesting that my own country has been perfect in this particular area, but we have increased aid by 40 percent in real terms, bringing us quite close to that goal. France has also canceled or rescheduled debts to 39 of the poorest countries in the world.

The International Monetary Fund should also make available Special Drawing Rights for the poorest of its member countries. For now the IMF only serves to increase the profits of the rich nations that were members before 1981, and not the 36 new members who need funds the most.

If this injustice of the world finance system were corrected, it would make another \$50 billion in hard currency available for indispensable development.

Mutual respect. The leaders of developing countries have made it clear that they do not want to be sacrificed to the liberalism of global free markets. In turn these countries must be asked to respect the rights of workers. It is unbearable to see the absence of trade unions and workers' rights in so many countries, and to see how children and prisoners are exploited. It is disgraceful to see that countries which justly struggled for independence from colonialism are violating the rights of their own people. We need some common understanding between North and South on these matters.

Inventive arrangements. When the countries of the South organize themselves to seek fair market prices for their commodities — be they coffee or wood — in the world market, they are on the right track. When countries of the South cooperate with other countries of the South, they are contributing to their own success. These kinds of arrangements must be encouraged.

We can no longer entrust the development of the world to monetary rules alone. We must resist the trend that aid for development is being taken off the agenda of the rich countries' policies. Economic security on a world scale must be part of the reform agenda of all multilateral institutions, from the World Trade Organization to the United Nations.

I will press these points at the G-7 meeting. I will ask my colleagues to pick up their courage to face this most pressing challenge at the end of the 20th century.

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America's UN Arrears Should Be an Embarrassment

By A. M. Rosenthal

NEW YORK — Vive la France! A good strong vive from everybody, please, to the French for taking on what no other country would touch — flying troops into the hell of Rwanda to save African lives.

The French do not want to occupy the country — they have not gone mad — and there is no economic or strategic gain to be found in that land of corpses. They went in because their stomachs could not stand it anymore; that's the reason and it does them credit.

Now, a good strong vive for the secretary-general of the United Nations. Who? Boutros Boutros Ghali of Egypt? The man American diplomacy so loves to blame for everything?

Correct — the secretary-general has been screaming, pleading, begging for members of the United Nations to do something more useful about Rwanda than look shocked. It is pure chutzpah to recognize grace and courage in the French and the first secretary-general since Dag Hammarskjöld to speak his mind.

No, I did not want American troops in Rwanda — the U.S. policy overflew. But I think it should embarrass Americans that at the United Nations, the richest country in the world, the nation that aspires to leadership by right of power and democracy, has become a champion welsber in payments to the UN peacekeeping forces and the United Nations in general. America is hanging around the UN bar, looking for a free drink and acting as if it were buying rounds on the house.

As of June 15, according to UN figures, the United States owed \$531 million to the UN general budget for years of arrears, and \$748 million to the peacekeeping budget.

American figures are somewhat less because they deduct some general budget arrears that Washington expects to pay by the end of the year. All right, so taking all the accounting breaks, round it off as \$1 billion, without a penny of interest ever. We are lucky they don't throw us out of the place.

For decades, the United States took it as a matter of honor to pay up on the due date or before and properly looked down at countries that withheld. But in the '80s, the Reagan administration got annoyed at the United Nations for then being a center of anti-American agitation. It was. But the Reagan people took a strange way of upholding America — refusing to meet U.S. financial obligations.

During the Bush years, the welsching continued for other excuses, including the demand that the United Nations overhaul its budgeting and spending, which it has been doing.

What's the excuse now? The Clinton administration says it wants to catch up. Madeleine Albright, the U.S. chief delegate, does her very best — making special trips to Washington to urge members of Congress to put the checks in the mail. Clintonians say the

problem is that a poor-mouth Congress won't vote the money. But isn't that a Democratic president down there, with a Democratic House and a Democratic Senate?

If national honor is not enough to push it higher, how about this: U.S. welsching cripples peacekeeping missions for which the United States voted and shifts the burden to far less wealthy nations. Some of them are not as keen on that as they used to be. Because of U.S. defaults, sometimes the United Nations cannot pay poorer peacekeeping nations the money it owes them for expenses, which means they won't be ready to volunteer again soon.

The United States is not self-destructive enough to want to do away with the United Nations and never has been. Whatever any administration in Washington says in complaint, American diplomats and most politicians are sophisticated enough to know that the United Nations is simply the will of its members, that among those members, the United States is the most powerful and effective, that America gets much of its payments back in UN money spent in America, and that the world is at least a somewhat safer place because nations can meet, negotiate, cool down and even occasionally reach agreement at the United Nations.

Put the check in the mail, pay for your own drinks — is that so complicated? America will feel a lot better and so will all its friends.

The New York Times.

Will the European Commission's Next Chief Be Up to This Battle?

By Roy Denman

BRUSSELS — The current deadlock about the succession to Jacques Delors, as president of the European Commission, leaves Britain as the only member of the European Union opposed to naming the Belgian prime minister, Jean-Luc Dehaene. John Major claims that he is opposed to Mr. Dehaene's policies. His increasingly exasperated European partners know that his real reason is to ponder to the prejudices of his Europhobes.

So whatever the result, it will do Britain no good. But the striking feature of the debate is that it misses the real issue. It has not been possible in the past to predict how a president of the Commission will turn out. In 1976, Valéry Giscard d'Estaing vetoed Christopher Soames because he thought he would stir things up too much; so Roy Jenkins was appointed, and stirred things up mightily by spearhead-

ing the move to economic and monetary union. In 1984, Margaret Thatcher vetoed Claude Cheysson and accepted a then little-known Jacques Delors.

That matters is finding a president who will tackle the operating problems of the Commission. For the Commission's record in the last 10 years has been an odd paradox. The vision and the political skills of Mr. Delors have achieved more than any of his predecessors. At the same time, the operating problems have become horrendous. The Commission has been turned into a Tammany Hall with a French accent, and morale is at an all-time low.

Here are some of the things that have gone wrong. There are too many commissioners. At the beginning there were nine; now there are 17. In January next year there might well be 21, and other countries are knocking on the door. There are not enough jobs for 17 commissioners, let alone more. Given the difficulty of welding together a team of different nationalities whose members have mostly never met before and may not like each other when they do, any number above about 10 produces not a calm and rational college but a quarrelling disorderly mob.

The quality of commissioners. Some have been very good. The majority range from mediocre to awful. Old hands remember the commissioner who threw a bottle at a mirror in the bar of a Strasbourg hotel, or the one who was told by the Commission's president during a meeting that he was not capable of running a taverna. It can only be hoped that member states will see in time that sending bums to Brussels will ad-

vance the interests of neither the Union nor their own countries.

The convention that every commissioner should be briefed on and be prepared to speak on every detail of another commissioner's business. It is customary in democracies for ministers in cabinet to speak if proposals of others affect their department or if some basic political point is raised. But for everyone to speak interminably at the weekly meeting of the Commission on the details of everybody else's business simply leads to delay and inefficiency.

Power has shifted decisively from the permanent officials to the temporary personal staffs (cabinets), partly brought in from outside. Senior career staff who have given forceful and unpalatable advice have been purged. During the Delors regime, roughly half those in charge of the 22 directorates-general have been flung out. A turnover in the higher ranks reminiscent of the Kremlin under Stalin does not make for a happy or efficient administration.

Directors-general now keep their heads down and merely leave decisions to the cabinets, which have mushroomed. When the Commission started, the nine commissioners each had a personal staff (excluding secretaries) of three. Now 17 have seven each.

Some in the cabinets are first-rate; many have neither the experience nor the competence to deal on their own with key questions.

There has been a deliberate policy on the part of the Delors cabinet in the last 10 years of infiltrating into the key jobs in the Commission French "hommes de confiance" who would report back directly to the Delors cabinet.

So changes are badly needed. Some will have to come from the member states. There will be a conference on the organization of the European Union in 1996. But the larger member states detest the Commission as a rival in the struggle for power. To expect them to help would be like asking a fox for advice on the security of the chicken coop.

What is needed is a president who will take the Commission by the scruff of the neck, cut away the nonsense and mobilize the remarkable talents of its staff. Politicians do not like doing this. In the reorganization of bureaucracy there is neither glamour nor votes. But the great captains know that quartermasters and bootlaces were as important as a stirring speech or a cavalry charge. And the battle for Europe today is as important as the great battles of old.

International Herald Tribune.

Clinton Can Prevail on Health Reform

By Robert Kutner

WASHINGTON — Can Bill Clinton do a Harry Truman? President Truman turned the 1948 election into a referendum against the Republican "Do-Nothing Congress." To the surprise of nearly everyone, he was re-elected, along with a Democratic Congress.

There are differences of course. 1994 is not a presidential year. And the present Congress is controlled by Democrats. But a Truman strategy is still worth a try.

In a few fateful weeks, Congress is likely to pass a watershed health bill. Mr. Clinton will then face a decision that could redeem or wreck his presidency: To sign or not to sign?

Mr. Clinton is often faulted for indecisiveness. But in sending health legislation to Congress, he was unequivocal about one thing: He would veto any bill that fell short of universal coverage.

He could wriggle out of that threat by redefining "universal," but he should stick to the promise for several interrelated reasons. Suppose the final bill follows the "bipartisan" model proposed by Senator John Chafee requiring individuals to buy insurance and subsidizing premiums for low and moderate income people. This approach dumps huge costs onto tax-

payers and gives businesses an incentive to quit providing insurance.

Or, suppose the bill embraces the compromise proposed by Senator John Breaux. His approach won't require employer coverage unless it falls short of a certain target, say 91 percent of the population by the year 2005. This "trigger" strategy is also a loser because it fails to streamline the system or give everyone insurance security.

Likewise, the minimalist Republican plan for "insurance market reform." This would guarantee that nobody could be refused insurance because of a pre-existing medical condition. This approach would likely raise premium costs for everyone.

If Mr. Clinton signs a tepid health reform bill, it becomes his baby. But if the bill has a long phase-in period, or fails to deal with the escalating costs and the red tape, or if it guarantees only mediocre coverage, voters will feel had once again. Moreover, all the frustrating trends in private insurance coverage are likely to intensify. As private insurance plans seek to cut costs, there will be more "management" of care, less free choice of doctors and hospitals.

Washington Post Writers Group.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: A Grand Gesture

PARIS — The most popular man in Paris last evening [July 1] was the German Emperor, who selected the occasion of the funeral of M. Carnot to pardon the two French officers who were sentenced to imprisonment last year for espionage. The announcement produced an excellent impression among Parisians. Actions of this character do far more to remove friction between France and Germany and to heal the wounds inflicted in 1870 than all the efforts of diplomats.

1919: An Envoy Reports

NEW YORK — The "Times" this morning [July 1] prints a special interview with John A. Embury, American Consul at Omsk, who has recently returned to this country. It quotes Mr. Embury as saying that language cannot picture the

atrocities that have marked bolshevist rule in the territories captured by Admiral Kolchak. Mr. Embury brought home a large collection of photographs taken by himself and other reliable Americans, bearing out his assertions. These pictures have been filed with the State Department.

1944: Red Army Gains

LONDON — [From our New York edition:] The three main prongs of the Red Army's offensive into White Russia stabbed deeper today [July 1] into a German defense which shows increasing signs of demoralization. The Soviet communiqué announced tonight the capture of Borisov on the main road to Minsk and continued advances by the two armies north and south of Minsk, both of which now appear to have reached or crossed the old Polish frontier.

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Japan's New Leader Jettisons Policies He Tries to Soothe Edgy Allies

By David E. Sanger
New York Times Service

TOKYO — Japan's first Socialist prime minister in half a century, Tomiichi Murayama, tried Friday to soothe nerves in Washington and Tokyo by abandoning — at least for the moment — virtually all of the policies he and his party have advocated since the end of World War II.

During an hourlong press conference at the prime minister's residence, the 70-year-old prime minister, whom most Japanese had never heard of a year ago, reversed his long opposition to the use of the Japanese military in carefully prescribed United Nations peacekeeping operations, turned his back on his party's traditional support of North Korea, and insisted that Tokyo would not delay implementation of an electoral reform bill that many believe could destroy his party.

Instead, he adopted most of the positions carved out over the years by the government and the Liberal Democratic Party, which installed him as prime minister Wednesday night in a desperate effort to gain a parliamentary majority that could restore its hold on power.

"I know people are worried about my government, both inside and out of Japan," he said. "My job is to do the best I can to get rid of those worries."

Faced with the continued soaring of the yen against the dollar on world financial markets, the result of a lack of confidence that Japan's new government will do anything to curb the 360 billion bilateral trade surplus with the United States, Mr. Murayama talked about stability, and denied he would undercut political reforms.

President Bill Clinton and Mr. Murayama spoke by telephone for about 20 minutes Thursday night in their first conversation since the Japanese leader took power. Mr. Murayama told Mr. Clinton of his plan to maintain continuity in foreign policy and to cooperate in trade negotiations, according to White House officials.

Mr. Murayama also sought to assure Mr. Clinton that his government was stable, administration officials said.

Mr. Murayama congratulated Mr. Murayama on his success and told him he looked forward to their meeting next Friday in Naples before the meeting of the leaders of the Group of Seven largest industrialized democracies, the White House said. The two leaders are to have a private meeting and will likely appear in a joint news conference.

Japanese officials appeared particularly concerned by comments made Thursday by the U.S. secretary of state, Warren M. Christopher, to the Senate Foreign Relations Committee.

In response to questions about whether Japan's fundamental approach to the United States could change with a Socialist prime minister, Mr. Christopher said that Tokyo was in "a very unusual situation" and that the differences between the two main ruling parties were so great that it "presents a challenging situation for the analysts."

Mr. Christopher's doubts are shared in the Japanese bureaucracy. Top officials have dropped their usual discretion and made clear their disdain for Mr. Murayama ever since his appointment. They are fearful that his complete lack of experience in foreign affairs could trigger a disaster at the G-7 meeting.

On Friday Mr. Murayama departed from the government's script, however, on one key point: Japan's desire for a permanent seat on the United Nations Security Council.

Only in recent weeks has Japan begun explicitly declaring that it is seeking the seat, and it has turned the job over to one of its most respected officials, Hisashi Owada, now Japan's ambassador to the UN. But Mr. Murayama said that Japan should only assume the seat if it had the complete "understanding" of other Asian nations.

Just as there was no public arrival in Gaza, Prime Minister Yitzhak Rabin tried to play it down by conducting business as usual and avoiding public statements. He met senior officials to prepare for talks on the next phases of Israel's self-rule agreement with the PLO.

Foreign Minister Shimon Peres called Mr. Arafat's arrival "the implementation of the Gaza-Jericho agreement," and dismissed rightist criticism as "artificial excitement that has no basis."

But Benjamin Netanyahu, the leader of the Likud opposition, said Mr. Arafat's speech after arriving in Gaza was cause for deep concern. "He didn't talk about Gaza and Jericho," he said. "What he's interested in now is Jerusalem, and the State of Israel. His aim is to establish an Arab state in stages, in order to destroy the State of Israel in stages. The countdown has begun."

Hundreds of settlers and their supporters streamed late Friday to a mushrooming tent city near Mr. Rabin's office, indicating that a mass rally planned later could draw a sizable crowd.

Lingering Israeli fears of Palestinian threats were reinforced by a stabbing at Netatim, a settlement near Nabulus in the northern West Bank.



Policemen in Jerusalem restraining a militant anti-Arafat demonstrator on Friday.

ISRAEL: Anger and Hope

Continued from Page 1

prayer at the Al Aqsa Mosque have apparently put a damper on the demonstrations here, billed by organizers as "The Battle for the Defense of Jerusalem."

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Lingering Israeli fears of Palestinian threats were reinforced by a stabbing at Netatim, a settlement near Nabulus in the northern West Bank.

ARAFAT: Jubilant End of Exile

Continued from Page 1

stated call for Jerusalem to be the capital of his hoped-for independent state.

For many Israelis, though, his mere presence was an incendiary act.

Mr. Arafat, 64, may personify Palestinian resilience and nationalism, a familiar figure on the world stage for 30 years in his olive drab uniform and black-and-white checkered headscarf. But he is also, for many, the scraggly, bearded face of terrorism.

Israelis on the political and religious right, including settlers, have threatened massive protests against a man regarded among them with contempt as a latter-day Hitler.

For Friday, at least, the numbers were not on the right wing's side. Only a few hundred people turned out for protests in Jerusalem. Many other Israelis took the view, shared by their government, that Gaza is now in Palestinian hands after 27 years of full Israeli occupation and so Mr. Arafat's trip here is a journey among his own.

Indeed, Foreign Minister Shimon Peres said, this long-awaited visit makes a full reality of the self-rule agreements signed by Israel and the PLO in principle last September at the White House and in detail on May 4 in Cairo.

"Today, autonomy was born," Mr. Peres told an Israeli television interviewer.

A similar thought was expressed by many Gazans, who said that just as Mr. Arafat arrived, so have the Palestinians as a people.

It was not that the PLO leader found universal affection

Koreas Agree on Summit Form

Compiled by Our Staff From Dispatches

SEOUL — The presidents of North and South Korea will hold two semiprivate discussions during their upcoming summit meeting, officials from both countries agreed Friday.

But the two sides disagreed over some of the arrangements for the historic meeting, set for July 25-27 in the North Korean capital, Pyongyang, South Korean officials said. Disputed issues included television coverage and travel to the North by South Korean advance teams.

Following five hours of talks in the border village of Panmunjom — the first session to plan the summit meeting — negotiators agreed to meet again Saturday to try to iron out remaining differences.

"There was a lack of understanding on North Korea's part about international customs on advance teams and protocol matters," the chief South Korean delegate, Yoon Yo Jun, said after the talks.

The summit meeting is intended to ease tensions over the North's refusal to allow full inspections of its nuclear facilities.

After the North told former President Jimmy Carter last month that it wanted to resolve the

dispute, the United States agreed to reopen high-level talks with North Korea next Friday.

The South Korean finance minister, Kim Chul Su, said Friday that his government would offer the North economic assistance including trade, joint ventures and investment, if the nuclear issue was resolved.

The North had wanted its president, Kim Il Sung, and the South Korean president, Kim Young Sam, to hold only a single negotiating session, with a large contingent of aides.

But North Korea agreed to two sessions, at which the presidents will be joined by only one or two senior officials. South Korean negotiators said.

The South wants to send two 20-member advance teams, the first as early as Tuesday. North Korea insisted that an advance team come two or three days before the summit meeting.

The North also rejected South Korean proposals for live television coverage of the meeting, insisting that tape and film be transported out by courier.

North Korea, however, accepted the South's proposal to send a 100-member official entourage and 80-member press corps, South Korean officials said. (AP, AFP)

SWEDEN: Boycott of Its Bonds

Continued from Page 1

billion kronor (\$832 million) worth of debt.

"Monday's auction will be a tough test," said Michael Bostrom, an economist with SE Banken in Stockholm.

Skandia's move reflects growing frustration in the bond market over the government's perceived unwillingness to come to grips with a deficit that is expected to total nearly 11 percent of gross domestic product this year.

"It is not acceptable that Parliament has already gone into recess, and no one expects any action on the deficit now until January of next year," said a frustrated Swedish banker.

With a general election and a likely return to power by the Social Democrats in September, and the referendum over Sweden joining the European Union scheduled for November, the universal expectation has been that any action would have to wait until the new government budget is presented in January. What Skandia's move and a gradual rise in bond yields all year seem to be saying is that it is too long to wait.

"They are trying to force the government to come to some sort of agreement with the Social Democrats on the deficit before the elections," said Eva Horowitz, an economist with Svenska Handelsbanken in Stockholm.

Skandia's move came a day after the Paris-based Organization for Economic Cooperation and Development said that Sweden's "deterioration in public finances has continued unabated."

The OECD said Sweden's budget deficit will fall to about 9.5 percent of economic output next year from 13 percent last year. "Concrete proposals for improving public finances over the coming five years will be presented only in January 1995," the organization said.

Whether specific buyers of government debt such as Skandia and the bond market more broadly succeed in that effort remains highly doubtful. Experts said, however, that if demand was sufficiently sparse in the auction Monday it could drive interest rates sharply higher, attracting buyers back into the market.

That in turn might endanger Sweden's fragile economic recovery and finally force the center-right coalition government of Carl Bildt to sit down with its arch-rivals, the Social Democrats, to hammer out an interim plan to pare the deficit.

"We cannot allow the weak economic upturn we have to be killed off by high interest rates," Miss Horowitz stressed. She remained hopeful, however, that the hard line taken by one of the government's largest creditors might be sufficient to wrest the necessary changes out of the government.

BOSNIA: Embargo Upheld

Continued from Page 1

Senate. Embargo foes could also force another Senate vote and win, he added.

■ Serb Sees 'Humiliation'

Chuck Sudetic of The New York Times reported from Sarajevo:

The leader of Bosnia's Serbian nationalists called the latest international proposal for ending the Bosnian war a "humiliation" for his people.

The comments Friday by Radovan Karadzic came in response to a proposed map, drawn up by diplomats from the so-called "contact group" countries — the United States, Russia, France, Britain and Germany — that would require the Serbs to surrender to the Muslims and Croats nearly a third of the territory under their control.

"The contact-group maps we heard about are humiliating," Mr. Karadzic said after meeting in Belgrade with Alexei Nikiforov, a Russian diplomat, and Serbia's president, Slobodan Milosevic. "It is clear that they want to foist on the victorious side in this war, on the victorious army, the Serbian Army, humiliating conditions to end the war," he told the Bosnian Serb press agency.

"If the map is not changed, we should definitely go our own way," Mr. Karadzic said.

G-7: U.S. Backs Chernobyl Aid Plan

Continued from Page 1

governments agreed to offer 500 million Euros (\$600 million) of loans and grants to Ukraine to complete and upgrade three other nuclear reactors as long as the Chernobyl plant is closed down.

"We are not going to do this alone," said a European Commission official. "We want our money to be matched by the U.S. and Japan so it is part of a broader G-7 plan."

The European Union estimates it will cost a total of 1.35 billion Euros to shut down Chernobyl and upgrade to Western standards three other Ukrainian reactors, in Zaporozh, Rovno, and Kholmivitsky.

The Brussels-based official added, however, that following consultations among G-7 summit meeting participants, "I am very confident that we will have a Chernobyl shutdown package agreed at Naples."

In Washington, President Bill Clinton is being told by his advisers that G-7 action is desirable on both Chernobyl and on a broader economic aid program because of the geostrategic importance of Ukraine.

An aide to Mr. Clinton noted that Ukraine was ahead of schedule in its removal of nuclear warheads, with about 300 having been transferred to Russia already.

"We are talking about a country in population and in territory as large as France, with enormous agricultural importance and advanced rocket and military technologies," the aide said.

"Ukraine can, in the 21st century, become a European power or the new sick man of Europe," he added. With this in mind, President Clinton will bring to Naples an idea for what senior U.S. officials call a "challenge grant" for Ukraine.

The idea is for up to \$5 billion of World Bank and International Monetary Fund assistance to be dangled before Ukraine as a reward for progress on economic reform. A U.S. Treasury official stressed that Ukraine would still have to

SUICIDE: Mystery Lingers, What Made Foster Do It?

Continued from Page 1

when seven employees of the White House travel office were summarily fired amid hints of financial shenanigans, because it turned out the investigation had been slapdash, the firings hasty, and the odor of cronyism hung over the whole affair. The fallout from the affair stung Mr. Foster and burned his friend and protégé, William H. Kennedy 3d, also of the counsel's office. Mr. Kennedy drew an official reprimand.

Mr. Foster's colleagues at the White House advised him to shake off the episode, but for him, the episode apparently became an obsession. He felt guilty because he had assigned Mr. Kennedy to the travel office investigation. He begged his boss, then-White House counsel Bernard W. Nussbaum, to let him take the heat and the reprimand in Mr. Kennedy's place.

When Mr. Nussbaum refused, Mr. Foster began shouting. And he never shouted.

During the last six to eight weeks of his life, the Fiske report said, Mr. Foster was "increasingly obsessed" with the travel-office affair and the possibility of a congressional hearing. Though he was confident he and the White House had done nothing wrong, he told his friend Webster L. Hubbell that "in Washington you are assumed to have done something wrong even if you have not."

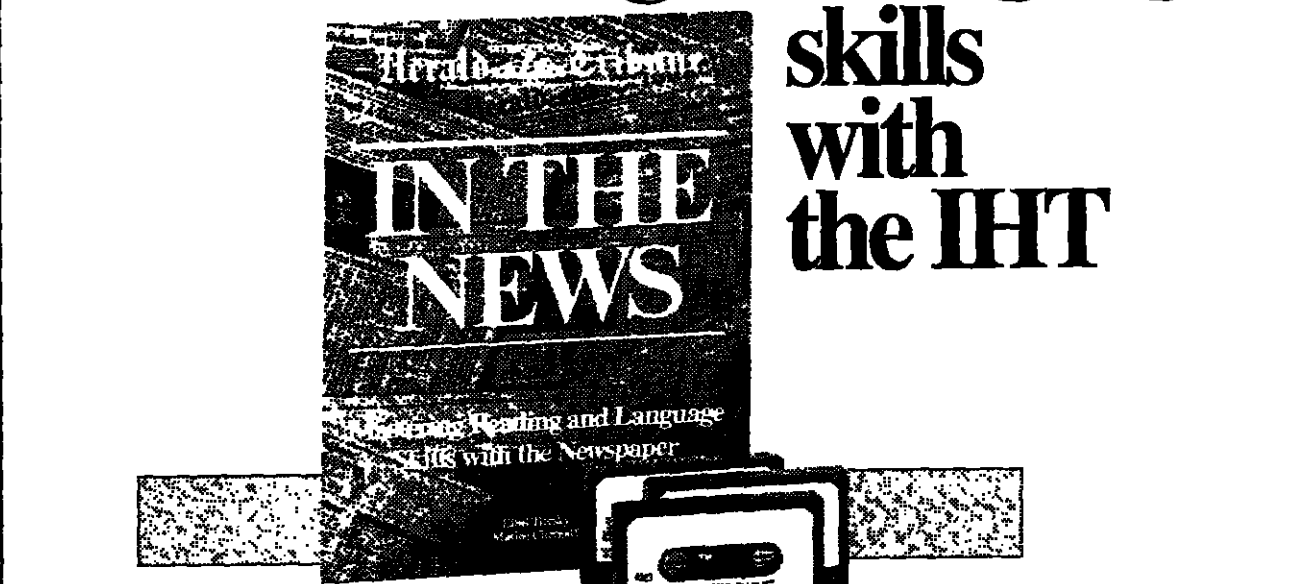
Mr. Foster considered resigning, but could not face the "personal humiliation he would have felt," Mr. Fiske found. Instead, he appeared "exhausted," "drawn and grey," according to the report; his weight plummeted, and he went without sleeping. He would not take sleeping pills because he feared becoming addicted.

A string of highly critical editorials in The Wall Street Journal in June and July of 1993 left Mr. Foster even more "distressed" according to the report. He told his brother-in-law, former Representative Beryl Anthony, that the reputation he had spent a lifetime building was being tarnished.

Mr. Nussbaum thought Mr. Foster was "overreacting," Mr. Fiske reported. Mr. Foster's wife, Lisa, asked him to make a list of all the things that were bothering him. This list was found six days after his death, torn and dumped in the bottom of a briefcase. He spent time outlining the "opening argument" he would give in his defense if Congress went ahead with hearings.

On Friday, July 16, Mr. Foster confided to his sister, Sheila Anthony, that he was fighting

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Fireworks Kill 30 in Brazil
The Associated Press

RIO DE JANEIRO — A fireworks stall exploded Friday at an outdoor market in Victoria, in southeastern Brazil, killing as many as 30 people and injuring more than 40, officials said.

Cars were blown over, trees were flattened and burning debris set nearby buildings on fire, the officials added.

ART

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July 2-3, 1994
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Haiti's Sculptors Face Hard Times

By Mark Kurlansky

CROIX-DES-BOUQUETS, Haiti — In better days this town was a short, bumpy drive off the paved national highway just north of Port au Prince. Now, in embargoed and crumbling Haiti, the little road is smoother than the disintegrating highway. While economic activities for most of the nation have been lost in the past two years to political chaos and international sanctions, Croix-des-Bouquets still has its cottage industry — metal sculpture.

As the United Nations and Western governments debate the effectiveness of two years of oil embargoes against Haiti's military regime, one thing is certain to be overlooked. Whatever the embargo is or is not doing to the military, it is squeezing one of the most promising sectors of Haitian art. Until now the increasingly popular school of Haitian metal sculpture has fashioned its work almost exclusively from steel oil drums.

The drums are becoming scarce and their price has doubled in the past two years. But like the military regime, the sculptors are finding ways around the embargo. For artists such problem solving is making their work more interesting than ever before. While most Haitian products are losing their markets, Haitian metal sculpture is increasingly recognized in the Western art world.

In Nouilles, a shady Croix-des-Bouquets neighborhood of turquoise- or salmon-colored wattle houses off a narrow dirt trail, a metallic clanging is heard every day. Under the shade of almost every tree is a boy with a hammer and chisel banging on a sheet of steel, following the careful lines drawn by the master sculptor.

THE inspiration for Haitian art is African, rooted deeply in the ubiquitous voodoo religion. Haitians produce Western art largely because Westerners have been giving them canvases and materials and encouraging them to turn their restless creativity toward objects that can be sold in Western galleries. In the early 1950s an art dealer noticed the unusual craftsmanship of metal crosses in the local cemetery in Nouilles and found they were made by a man named Georges Lantaud. Lantaud was encouraged to fashion a Christ figure on some of his crosses and he became a sculptor. For the next 40 years Lantaud

tried his hand at a wide range of figures and designs and when he recently died in his 90s, he left a legacy of work with humor and originality.

Lantaud earned so much attention that metal sculpture became the cottage industry of this unpeopled village. Unlike Haiti's celebrated "naïve" painters whose raw talent is suddenly discovered, the sculptors of Nouilles have a well organized school of art. Masters hire apprentices who later go off on their own.

At the moment this humble neighborhood has two internationally recognized sculptors, Serge Jolimeau, 42 and Gabriel Bien-Aimé, 43. Each in turn is training several apprentices. Jolimeau is a tall and elegant man and his work is marked by long graceful lines. The figures, often from voodoo legend are cut out of flat metal and his distinctive forms are remarkable for their flowing and complex silhouette.

BUT an emerging factor in these fanciful designs is the growing difficulty in buying oil drums. In spite of the complexity of his figures, Jolimeau has learned to never throw out a piece of metal. At times he designs one work so that the cut-out part is a second piece. Other times he welds smaller pieces together.

The demand for Jolimeau is already outstripping the besieged oil drum supply and he now sometimes works with fresh sheet metal that his growing income has now made affordable. This has made it possible for him to fashion wall-sized works, far larger than could be cut from a flattened oil drum.

Gabriel Bien-Aimé's sculptures are also growing larger. He has earned a following in the art world for his metal images of springy vibrating snakes and startled women. Bien-Aimé's whimsy and irrepressible sense of humor are in the Lantaud tradition. His chunky pieces are quirky and personal where Jolimeau is graceful but sometimes seems purely decorative.

In Haitian art, because it is dominated by Western dealers, there is always a tension between the decorative and the more individual expression. The decorative sells better in the West because Westerners are more conditioned to the idea of Third World souvenirs than Third World art. This has meant that the ornamental work of Jolimeau, though at times very expressive, commands higher prices and more sales than the quirky work of Bien-Aimé.



Gabriel Bien-Aimé and his whimsical metal sculptures.

Bien-Aimé does not earn enough in embargoed and deteriorating Haiti to buy metal. In fact, he has always supplemented his income by working as a car mechanic. Now he is finding this work has the advantage of providing him with interesting metal parts. As life gets tougher in Haiti and oil drums grow scarcer, Bien-Aimé's sculptures are increasingly featuring such metal parts as axles, gears and tire irons that he welds to his figures, cut from oil barrels.

Like Jolimeau, most of Bien-Aimé's themes are inspired by voodoo. His father is a fundamentalist Christian pastor whose religion vehemently rejects voodoo as demonic, but Bien-Aimé only smiles with his expressive storyteller's face and says, "We chose different paths." The recurrent snakes in his work refer to Damballa, a popular voodoo spirit who Haitians believe appears in snake form.

He begins his work by kneeling in his

tin roof workshop over a flattened strip of metal. He draws a figure with chalk. His chalk line drawings are clean and economic, reminiscent of the line drawings of Matisse. Then he begins cutting, shaping and giving instructions to his two apprentices as he searches for auto parts. Some of the pieces are only a foot high, but he likes to create larger works that stand sometimes six feet (1.8 meters) with a wheel drum base and an axle at the core.

If the embargo continues, which seems likely, the look of Haitian metal sculpture will be permanently altered, but the tireless Haitian imagination has always been tempered by hard times. While the rest of the nation seems to turn to smuggling as the only economic activity left, Nouilles has its own work.

Mark Kurlansky is a journalist based in Paris.

Dreyfus: Art and Memory

By Barry James
International Herald Tribune

PARIS — The accusation hurled against Captain Alfred Dreyfus a century ago this year touched off a decade-long polemic known simply as "l'affaire," which has continued to resonate throughout modern times.

The affair, full of dark historical presentiments, remains perplexing to this day.

On the one hand, it was an episode in an ideological and religious conflict that has divided France since the Reformation and the Revolution, as the historian Michel Winock argues in a new book of essays, "La France de l'affaire Dreyfus." As such, it fits into a recognizable pattern that would include the Saint Bartholomew's Massacre, the persecution of the Jews under Vichy or, today, the racist slurs of the rightist ideologue, Jean-Marie Le Pen.

On the other hand, it was the beginning of something sinister and typically modern. According to George R. Whyte, head of an international committee to mark the centenary, it was the first time that anti-Semitism joined with the mass media to create the mechanism of genocide.

The crowd that watched Dreyfus's formal degradation as an officer — an experience he said was worse than death — spat on him and shouted "death to the Jews," not "death to France."

After an officer who faked evidence against Dreyfus committed suicide, an outpouring of anti-Semitic hate mail ensued. In an ominous forecast of history, one letter said, "put the Jews in furnaces and burn them." Half a century later, that was the fate suffered by Dreyfus's granddaughter.

"The writing was on the wall," said Whyte, whose passion for the affair has led him to produce an opera, a ballet and a musical satire on the Dreyfus theme. "Fifty years later there was mass extermination. The writing is on the wall again today and what do we do? Zero!"

Through its language and cartoons, the Dreyfus case provided the verbal and visual imagery of the Jews that later found its way into the propaganda of the German Nazis.

"Over the years of the affair, the language got more and more violent and extreme," said Richard Griffiths of King's College, London, whose book "The Use of Abuse," deals with the polemics of the Dreyfus case.

"The use of primitive watchwords meant that the affair became a series of battle cries rather than arguments," he said. People spoke and wrote in a kind of shorthand, using the part to refer to the whole — saber for the army, or brette for the church. Chamber pots became known as Zolas in anti-Dreyfusard circles, after the novelist whose famous polemic, "l'Accuse!" helped turn the affair into a historical turning point.

The anniversary of the arrest is not until October although the centenary has already produced a flood of books and commemorative events, including a recent exhibition of Dreyfus memorabilia at the Hôtel des Invalides in Paris.

The exhibition, complemented by a fine catalogue, contained contemporary posters and an infamous series of animal drawings insulting the Jews. The anti-Dreyfusard "produced cartoons with all the traditional symbols of truth and justice reversed," said Griffiths.

One significant thing about the exhibition was the fact it was held on ground hallowed by the army, which has never formally apologized for falsely condemning Dreyfus. A few years ago, the Ministry of Defense refused to allow a statue of Dreyfus to be erected at the Ecole Militaire nearby. The republic instead put it up in the Tuileries Gardens.

In October, the exhibition will move to Dreyfus's home town, Mulhouse. The Weisenthal Center in Los Angeles is also planning an exhibition on Dreyfus early next year. Major symposiums are planned this fall in France, Germany and Israel.

It would be simplistic to see the Dreyfus affair only as a black and white conflict: right against left, authoritarianism against liberty, church against the laity, the army against

anarchism or the pre-fascist Action Française against the League of the Rights of Man. Charles Maurras, the founder of Action Française, said when being judged for collaboration after World War II, that this was "Dreyfus's revenge."

Yet the affair marked not so much of a division between the French as a struggle for the conscience of a nation that sets generous and tolerant republican values as its ideal and yet so often falls short of them.

"It was the French who, on Jan. 5, 1895, on the parade ground of the Ecole Militaire, stripped the insignia off Captain Dreyfus," says the historian Jean-Denis Bredin in "L'affaire," one of the best accounts of the tragedy. "It was the French who on July 21, 1906, in the same place, presented him with the cross of the Legion of Honor. It was not two French nations succeeding one another. It was rather two movements of the same people."

The Dreyfus affair remains a tough matter for the French to swallow, just as they find it hard to come to grips with the fact that it was French officials and police, not the Gestapo, who sent Jews to the death camps under Vichy in such a routine manner that the state railroads continued billing the government for transportation to Auschwitz even after the liberation of France 50 years ago.

Whyte said he received no reply from the Opéra Bastille in Paris when he offered it the opera "Dreyfus: The Affair," of which he is the librettist.

The opera will be performed in Basel in October — along with the ballet and the musical satire — to coincide with the anniversary of the arrest. It received its premiere at the Deutsche Oper to critical acclaim last month.

Thus it was eerie, he said, to see a bass coming up to the front of stage in the Berlin opera house and shouting "l'Accuse!" at 3,000 Germans.

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Tough New World for Auctioneers

International Herald Tribune

LONDON — The way the art market operates is changing right under our noses but no one takes much notice.

Engaged in lethal competition, the two leading auction houses in the world fight to get a bigger share of dwindling art supplies. To entice vendors, a commonly used tactic is to give in to their requests for high estimates and assorted reserves. When failures occur, as is inevitable in any gamble, the auc-

SOUREN MELIKIAN

tion houses blame these on an "erratic" or "fragile" market, or on the slipping dollar, or any excuse that can be used to say that buyers are holding back.

But buyers have never been so keen in recent years. This could be verified at Christie's on Monday and at Sotheby's on Tuesday with their early summer sales of Impressionist and Modern Masters. Reduced to figures, Christie's sale projects the image of a depressed market with only 25 of 49 lots finding buyers. Examined more closely, through the eyes of a collector, Christie's sale looks very different. It highlights the last-chance mentality prevailing these days that resulted in furious competition each time anything worth considering came up.

A Miró painting of 1946, full of movement and simple fun with its schoolboyish faces appearing here and there, shot up to £1,871,500 (\$2.82 million), a huge price for a picture that is typical but far from unique. Similarly, a good but not sublime portrait of a woman by Modigliani, Hanka Borowska, climbed to £1,354,500. The price seems modest if compared with the inflated estimate, £1.4 million to £1.8 million — a lot for a small painting.

Even more revealing, competition extended to rarified works too subtle ever to be the object of speculation. Sublime as they may be, the small portraits that Degas would do in the 1850s, a decade before he became a founding member of the Impressionist group, appeal to a small number of connoisseurs. At Christie's, there was a gem in this line, but a tiny one. This is the portrait of a woman done as a preliminary study for one of three characters in the "Bellini Family Portrait" dating from 1859. Highly finished, it nevertheless allows the grain of the

canvas to show through — which is usually a commercial handicap. Not on Monday, though. Estimated at £140,000 to £180,000, the small Degas drove collectors into a frenzy of desire ending up at £408,500.

In a telling contrast, the artist's self-portrait painted on paper around the same time carried a £350,000 to £450,000 estimate. The medium employed does not justify such a high price. The self-portrait, unsold at £350,000, was negotiated privately a day later. Even marvelous art is not irresistible when prices get out of hand.

Reckless estimates were a major problem that night. A pretty if conventional landscape painted by Monet at Vétheuil fell at £750,000. Its estimate £1.5 million to £2 million, acting as a deterrent, killed it. Reduced to £800,000 to £1.2 million, it would have left the Monet a fair chance. The most extreme case of overestimation affected a fascinating Fauve landscape done by Maurice de Vlaminck in 1906. The leafless branches of a red tree look like sparkles flying off into space. But £1.2 million to £1.6 million is a crazy estimate. The Vlaminck was unsold at £650,000.

This is hardly surprising. Earlier this year, it was available at the Galerie Daniel Melingue in Paris at a more sensible 6.5 million francs, roughly £770,000. Someone obviously bought it, hoping to make a killing. In the process, the unidentified speculator very nearly killed the painting. This too was negotiated by Christie's a day after the sale at a price that trade sources indicated was very slightly higher than the Paris figure. Needless to say, salesrooms are rarely inclined to broadcast such trivia.

On Tuesday, Sotheby's had a much more successful sale. Yet here too, the underlying problems came out — the dearth of goods, and the tendency to push up estimates. But there is a limit to everything. The two star paintings sold brilliantly. Edouard Manet's study of a woman standing behind a bar at the Folies Bergère is one of several that eventually inspired the famous painting now in the Courtauld Institute, in London. Three decades ago, it would have impressed no one. The brown and gray color scheme gives this particular sketch in oils a muddy appearance and the woman's amorphous, wax-like melting-over a fire, do not enhance its appeal.

Its strongest point is its rarity — nowadays, there just aren't any Manets around. This one soared to a steep £4,401,500.

The other star was a landscape from Monet's famous series of poplars lining the bank of the river Epte seen in different lights. It made £4,841,500, a high price, fully justified for this wonderful icon of Monet's later phase. While there are many Monets on the market, a landscape of this quality is almost as unobtainable as a Manet.

Rarity per se, however, does not ensure magic immunity against commercial failure.

Sotheby's ran on the cover of its catalogue the portrait of a woman by Frédéric Bazille. The painter, who was born in 1841, died tragically in 1870 during the Franco-Prussian war. He is seen as an important figure in the emergence of Impressionism and his work is as rare as Manet's. Unfortunately, the portrait is more interesting than wonderful and its rarity is not matched by a signature as glamorous as Manet's. Bidding died out at £640,000. The estimate of £800,000 to £1.2 million was too high. Picked lower, it would have allowed the picture to pull through. Eventually, it will

probably find a niche, probably around £650,000 to £700,000.

Indeed, had the auctioneer Simon de Pury not taken liberties with the estimates as he conducted the sale, Sotheby's score would not have been so good. An utterly unattractive portrait of a woman painted in 1915 by Modigliani was knocked down at £400,000, well below the low estimate of £500,000. A flower still life that does little to enhance Renoir's stature, was unloaded only by ignoring the £350,000 low estimate. As he brought down his hammer, calling out "280,000 pounds," de Pury almost shouted "sold!" Looking at the work, it is easy to understand his relief. Even with this 11th hour revision of estimates, 18 of the 52 works fell on their faces. Sotheby's did a lot better than Christie's but the harm done to the market cannot be denied.

THE overestimation problem also affected the sales of contemporary art, although here too keenness to buy was blatant. At Sotheby's on Wednesday night, collectors fought over Lucian Freud's Surrealist work "The Painter's Room" at

the time of £507,500. The same bullish market could be observed at the lower end of the market on Thursday morning at Sotheby's. There seemed to be no end to the desire for ultra minor work by Karel Appel, Enrico Baj and others. But overestimation often proved fatal to contemporary art as it had been to Impressionists. Of 55 lots, 16 fell unsold in Sotheby's Wednesday evening sale. At Christie's on Thursday afternoon, the star lot was killed by the estimate. At £1.45 million, bidders gave up on Francis Bacon's portrait inspired by the portrait of Pope Innocent X by Velázquez, which carried a £1.8 to £2.5 million estimate. Yet three collectors competed with grim determination to get an Alexander Calder mobile "Black Peacock" which ended up at £430,500. Throughout, contemporary art buyers proved to be as collected and purposeful as those of Impressionist and 20th-century masters. Private collectors accounted for almost all the buying, with dealers making a few token purchases. It's a tough new world and one in which auction houses are treading a thin line. They had better look out.



Manet's study of a barmaid at the Folies Bergère, above, which sold for £4,401,500; the other star of London sales this week was a Monet landscape for £4,841,500.

BOOKS

TUNNEL VISION

By Sara Paretsky. 432 pages. \$21.95. Delacorte Press.

Reviewed by Christopher Lehmann-Haupt

As usual, life is a sea of troubles for V.I. (Vic) Warshawski in "Tunnel Vision," Sara Paretsky's eighth novel featuring her Chicago-based private investigator. The building where Vic rents her office is being vacated, so the landlord no longer cares about maintaining it.

Just when work is scarce and bills are going unpaid, a client asks Vic to contribute her free time to finding out why a certain bank has suddenly withdrawn its support of a project to provide low-cost housing for single mothers. And to top off a bad day, Vic is obliged to attend a dinner party for the rich and powerful.

But adversity is the spice of Vic's life, as readers may know from following her misadventures in thrillers including "Bitter Medicine," "Burn Marks" and "Guardian Angel." And each of the glitches in her day results in an unpleasant payoff.

When Vic begins to inquire why the bank has withdrawn its financing, she runs into mounting resistance culminating in her client's sudden request to drop the investigation. And the couple who give the fancy dinner party, Fabian Messenger, a law professor, and Deirdre, his socially ambitious wife, behave abominably.

As fate and clever plotting would have it, these three unpleasant incidents have hidden links, and as Vic sets about to uncover them she walks into her office to find Deirdre Messenger dead with her head bashed in. Once Vic persuades the police that she is not the culprit, their suspicion shifts to Deirdre's mousy daughter, Emily, in whose room a baseball bat "covered with a dried, scabby mess" is found hidden.

But Vic, ever the champion of the lowly, suspects more powerful perpetrators, possibly even whoever doesn't want her to investigate the single-mothers' fi-

nance deal. As she works her way up the chain of Chicago's charity-corporate command, she finds herself at the same time descending lower into the city's physical plant in search of the homeless woman who may have seen Deirdre Messenger's murderer. Finally, when a leak from the Chicago River threatens to flood the city's elaborate system of underground tunnels, Vic enters a dangerous world she never knew about before.

The image of flooding tunnels in "Tunnel Vision" is an effective touch, suggesting as it does both the corruption of the city's power and the deluge of irrational passion that are the novel's main themes.

What doesn't work so well is the way Paretsky tries to play on our presumed sympathy for the poor and oppressed, and on our hostility to the rich and powerful. A two-dimensional world unfolds in "Tunnel Vision."

You wish that for variety the story contained at least one happily married parent, or a generous rich man, or a moral individual of power.

You wish that another bad guy didn't end up with a bullet in the groin, even if only because of what Vic calls "a lucky shot." And you wish that the story's final payoff were more satisfying, that there were a little more complexity to all the evil in the book.

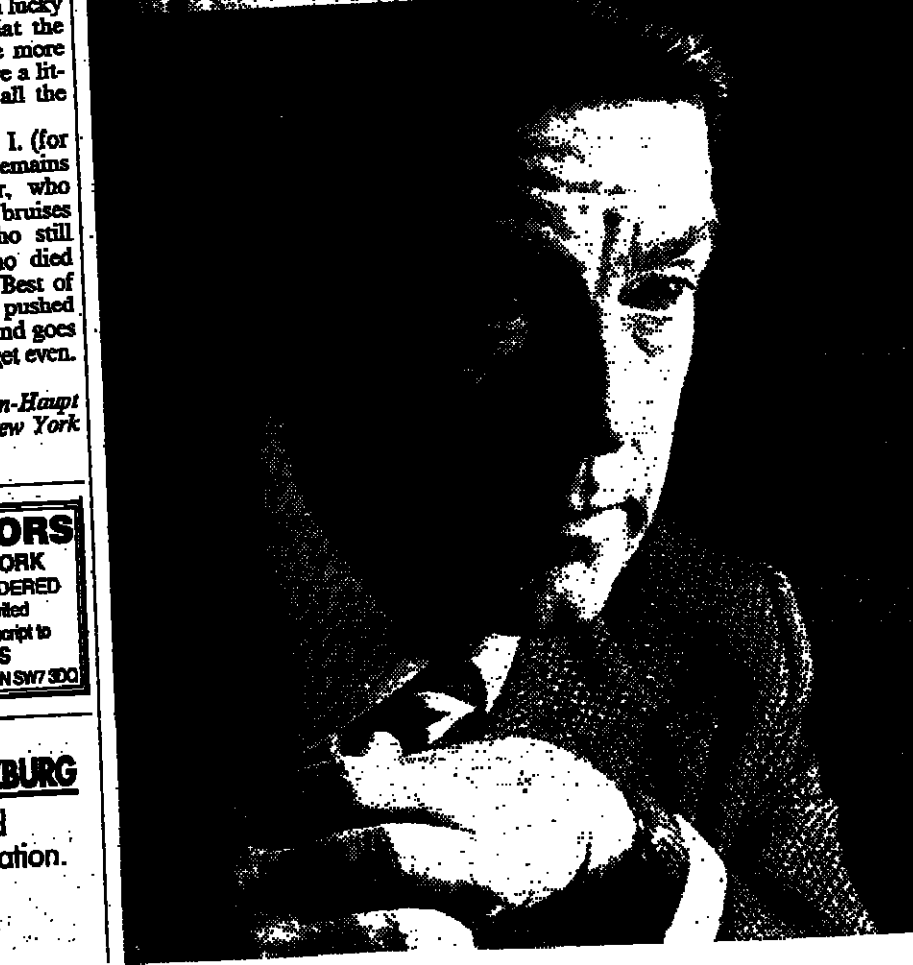
Still, V. (for Victoria) I. (for Iphigenia) Warshawski remains an appealing character, who ages with time, who bruises when punched and who still misses her mother, who died when Vic was a child. Best of all, she gets mad when pushed around or patronized, and goes to work determined to get even.

Christopher Lehmann-Haupt is on the staff of The New York Times.

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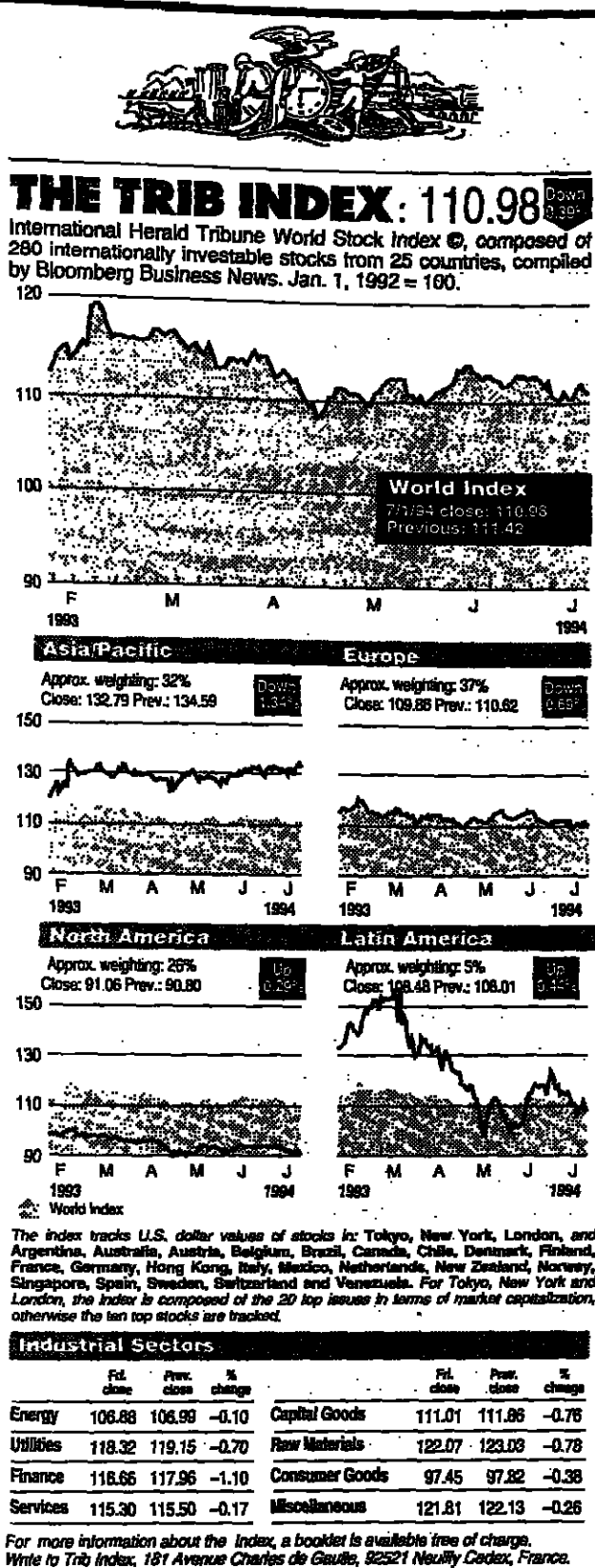
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Can a Divided Industry Conquer? European Filmmakers Find Little Common Ground

By Tom Buerkle
International Herald Tribune

BRUSSELS — For Europeans who claim that the health of their film and television industry rests on their diversity, the vital signs are not encouraging. Gathered here to find ways to compete with Hollywood, Europe's film and TV moguls and politicians put on a messy show of diversity, splitting sharply on the main issues of quotas, promotion and distribution.

Jack Lang, the former culture minister of France, championed tougher European broadcast quotas only to be attacked by an executive of his country's top commercial station, TF1. "Forget, forget, forget the French example," said the executive, Etienne Mourgeon. "French regulation is counterproductive."

In the same vein, public and commercial stations clashed over how to promote more European productions, while film and TV producers disagreed about how to sell their products across Europe's borders, or indeed whether they ever will.

But for all the discord, the industry crowd did agree on one thing. It will take money to turn the tables around. Big money.

"Massive aid must be earmarked at the European level," said Aurelio de Laurentiis, the Italian production company Filmauro. He defined massive aid as between 1.5 billion and 2.0 billion

European currency units (\$2 billion to \$2.5 billion).

There was little agreement on how to raise the money. René Bonnell, cinema director at the pay-television channel Canal Plus, suggested a levy on broadcasters patterned after the one the French government has imposed on his

'Massive aid must be earmarked at the European level.'

Aurelio de Laurentiis, Italian film executive.

company. Others urged a European version of France's fund-raising cocktail of taxes on cinema tickets and blank tapes.

On the spending side, there was a general aversion for the word subsidy and a consensus that aid should be targeted at building pan-European distribution networks to compete with American operators. The European Broadcasting Union, the lobby group of public TV stations, said the EU could double the percentage of non-national European programs broadcast from today's 8 percent by spending 1 billion Euros over 5 years on distribution. Filmmakers also honed in on this point.

"Do the Americans make better films?" Mr. De Laurentiis said. "Absolutely not. They simply have the merit of

believing in a single European market."

But the most critical issue facing the industry, and the one that requires a recommendation from the European Commission by October, is the question of quotas. The existing Union directive requires 51 percent of programming to be of European origin. France is pushing for a Union quota closer to its 60 percent, while many countries want to ensure the existing directive is enforced in Britain, which allows quota-busters like BSkyB and Ted Turner's TNT to beam into Europe via satellite.

The question of extending quotas to new consumer-controlled technologies like pay-per-view is potential dynamite in Europe and the United States. Regardless of the desirability of quotas, many EU and industry officials have said they thought governments would lose control over programming as conventional broadcasting gives way to satellite and cable systems with 100 or more channels. But Albert Scharf, head of the broadcasting union, said quotas should be extended in effect by requiring new channels to devote a minimum percentage of their budgets to European programming.

Any attempt to widen quotas would almost surely reignite the trans-Atlantic film war, said Andres Vicente Gomez, the Spanish producer of "Belle Epoque," which won the award for best foreign film from the Academy of Motion Picture Arts and Sciences.

Currency Traders Brace for Wild Week

By Lawrence Malkin
International Herald Tribune

NEW YORK — Nervous currency traders built defenses for their dollars Friday against a long holiday weekend in the United States and what could be a wild week in the markets.

Central bank intervention, interest-rate shifts and a political standoff at the Group of Seven economic summit meeting next week in Naples all loom as possibilities.

With fluctuations exaggerated by limited trading before Monday's closing in New York for the Independence Day holiday,

the dollar hit a new low of 97.68 yen in Tokyo, where the market was mesmerized by speculation about the country's jerry-built new government.

Then the dollar climbed back in London and New York to just above 99 and started weakening late in the day on New York selling by traders clearing their books of dollars before the holiday.

The dollar closed in New York at 98.65 yen, up slightly from 98.46 yen at the close on Thursday.

The U.S. currency was calm for most of the day against Eu-

ropean currencies, hitting a high of 1.6055 Deutsche marks before yielding to pre-weekend sellers. It ended at 1.5966 DM, up from the New York close on Thursday of 1.5873 DM.

The dollar ended at 1.3396 Swiss francs, up from 1.3330 on Thursday, and at 5.4670 French francs, up from 5.4425. The pound fell to \$1.5385 from \$1.5439.

Tom Moore, senior director at American Express Bank in London, said dealers and traders were afraid of betting on a lower dollar by buying the cur-

rency short ahead of next week-end's G-7 meeting.

"They are afraid to ignore the G-7 for fear that this time they could actually do something," he said.

Although a spate of statistics about the U.S. economy confirmed the trend of moderating growth sought by the Federal Reserve Board, this had little effect on the currency markets, which seemed to focus on the coming meetings of the U.S. Federal Reserve Board's Open Market Committee on Tuesday.

See DOLLAR, Page 10

Murdoch Takes 49.9% Stake in German Vox TV

Compiled by Our Staff From Dispatches

BONN — Rupert Murdoch's News Corp. moved into the German media market Friday, agreeing to take a 49.9 percent stake in the troubled Vox television station and to offer a brash mix of U.S. situation comedies and movies.

Bertelsmann AG will continue to hold 24.9 percent, and the remaining 25.2 percent will be held in trust until new partners are found. Compagnie Luxembourgeoise de Télédiffusion has an option to acquire an interest.

News Corp. declined to comment on how much, if anything, it was investing in the company.

Hong Kong's STAR TV plans to lease transponders. Page 13.

but analysts said the value of News Corp.'s film and television libraries represented a significant gain for Vox.

Vox, one of only three German commercial broadcast networks with national reach, was put into liquidation in March after several partners withdrew from the venture. The network was launched in January 1993, but floundered with poor ratings and high overheads.

Vox offered programming that was heavy on documentaries and culture, but Helmut Runde, spokesman for Bertelsmann, said it would now probably move toward more American series and more films.

Because of its other media interests in Germany, Bertelsmann was restricted by German law from holding more than 25 percent of Vox. And the regulators blocked an attempt by it and CLT, which jointly own Germany's most successful commercial television station, RTL Plus, to own and operate Vox.

"Obviously a deal with Murdoch gives them access to a lot

of programming," said John Reidy, an analyst at Smith Barney in New York.

He said Bertelsmann would be ideal in helping News Corp. find its way around Europe, where its activity to date has been limited to small, now defunct newspaper operations in Spain, Hungary and East Germany. (Bloomberg, Reuters)

Bonn Begins Inquiry on Executive

Bloomberg Business News

DUSSELDORF — German authorities said Friday they had begun investigating the activities of Mannesmann AG's chief executive, Werner Dieter.

Mr. Dieter has denied allegations made three weeks ago by the German newsmagazine Der Spiegel that he had routed Mannesmann orders to companies in which his family had majority stakes. The magazine said excessive prices had been charged for the goods.

"We've now begun an official investigation," said Jochen Ruhland, spokesman for the Dusseldorf public prosecutor's office.

This was the first comment by officials on the allegations, although Mannesmann itself has commissioned an accounting firm to check the records of the relevant orders.

A spokesman for Mannesmann said, "We can't comment on it at this point." Analysts say the news will depress Mannesmann's shares only briefly, although Mr. Dieter is now unlikely to become supervisory board chairman, as planned, when he retires as CEO next week.

ECONOMIC SCENE

Learning to Live With a Strong Yen

By Richard C. Koo
Special to the International Herald Tribune

TOKYO — The renewed slide in the dollar against the yen and the Deutsche mark has started talk of "the dollar problem" in global financial markets. Many market watchers argue that the dollar's problems stem from inflationary fears in the United States. Others blame President Bill Clinton's trade policy for the dollar's weakness, even going as far as to say that Trade Representative Mickey Kantor should be fired to save the currency.

All of these arguments assume that the cause of the problem lies within the borders of the United States. But there is more than one possibility that could trigger a simultaneous fall in the dollar and the U.S. bond market. One is domestic — the fear of inflation; the other is not — foreigners' selling of U.S. paper and repatriating for funds for some pressing need at home.

In the first case, financial markets of the countries to which investments are escaping the United States flow should do well. In the second case, however, it is the battered financial markets abroad that are prompting investors there to dump their investments in the United States and repatriate the funds.

Since the strength of the German and Japanese currencies is structural and beyond the reach of U.S. policymakers, everyone, including the United States, must learn how to live with a stronger mark and a stronger yen.

Given that the current trouble started

with the sudden appreciation of the mark in early May, and that European markets and the German capital market in particular have fared far worse than the U.S. market since the start of the turmoil, one has to assume that the latter circumstance is the real culprit.

Viewed in this light, there are indeed some serious problems in European capital markets. Many Europeans parked all their available funds in European bonds at the beginning of the year, having assumed that the economic recovery was a long way off. They were caught off guard

It is fruitless and even counterproductive to talk about the need for a strong dollar.

when economic growth began to pick up this spring and bond prices started falling.

The fact that those investors were "fully invested" and had no cash meant that there was no one to provide a floor when bond prices collapsed. In their scramble for cash, they had to liquidate whatever holdings they had abroad and repatriate the proceeds. The U.S. and Japanese bond markets took the brunt of this selling.

To make matters worse, the new withholding tax on investment gains made abroad by German investors that was introduced at the beginning of this year

removed the incentive for Germans to invest abroad. So they were already well in retreat from foreign financial markets when the trouble struck.

If that wasn't enough, German capital markets have been rocked by three major financial scandals this year: the disappearance of the real estate magnate Jürgen Schneider, the problems surrounding Metallgesellschaft AG and more recently the currency options scandal involving Borsum AG. Nothing makes investors more cautious than financial scandals, and stocks and bonds are usually the hardest hit as longer-duration instruments are avoided in favor of cash.

Although bond markets typically weaken with the prospect of a stronger economy, that should not be the case for stocks. The fact that both bond and equity prices took a nosedive suggests that there is a real confidence problem in European capital markets.

In other words, whatever cash European investors were able to get abroad, both at home and abroad, went straight into the deepfreeze of the European short-term money market. The result was stronger European currencies and weaker European capital markets.

The Bundesbank indicated its awareness of this problem when it stated that the reason for the lowering of the discount rate in May was to make longer-term instruments more attractive relative to short-term instruments. This is a highly unusual statement from a central bank trying to push cash frozen in the short-

See YEN, Page 10

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- 3. With assurances in writing from your own bank, you'll never have to worry about your credit standing again.
- 4. You can go into the loan business and pocket often exorbitant interest rates for yourself.
- 5. If you trade, you can issue your own Letters of Credit saving on interest charges and other fees.
- 6. You can have your bank handle your stocks, bonds and precious metals transactions - saving you commissions and expenses.
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About the Author
Born in Germany, Dr. Gerhard Kurtz has been an investigative journalist most of his working life. His uncompromising style of journalism has caused many fraudulent bankers and cheating businessmen to try and suppress him through civil and criminal proceedings. Out of hundreds of legal cases over two decades he lost only one case - against the German authorities.

A confirmed cosmopolitan, Dr. Kurtz has been an Editor of several German magazines, a freelance contributor to "Spiegel", "Stern" and "Neue Revue" and has written several books and reports including "225 Tax Havens", "How to Avoid Taxes", "How to Get a Second Passport", "How to Make Money" and "How to Gain Your Rights". He also published "Kurtz-Brief", a successful financial newsletter, and has written a series of "secret reports" on hot issues such as Tax Evasion.

how to use your own bank to convert dubious claims which otherwise would get little mercy from judges into absolutely legally recoverable claims... how to glorify simple real estate agencies, brokerage or insurance firms by running them as departments of a smart bank... how to take out non-transferable funds from South Africa or rubles from Russia with the help of your bank... how to keep house, car and other personal property safe from attachment by your bank's intervention... how to have

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How To Profit and Avoid Taxes by Setting Up YOUR OWN PRIVATE INTERNATIONAL BANK

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Cross Rates									
	1	5	10	20	50	100	200	500	1000
Amsterdam	1.78	8.90	17.80	35.60	71.20	142.40	284.80	712.00	1424.00
Brussels	33.84	169.20	338.40	676.80	1353.60	2707.20	5414.40	13536.00	27072.00
Frankfurt	1.82	9.10	18.20	36.40	72.80	145.60	291.20	728.00	1456.00
London (a)	1.53	7.65	15.30	30.60	61.20	122.40	244.80	612.00	1224.00
Madrid	16.80	84.00	168.00	336.00	672.00	1344.00	2688.00	6720.00	13440.00
Nairobi	10.80	54.00	108.00	216.00	432.00	864.00	1728.00	4320.00	8640.00
Paris	6.56	32.80	65.60	131.20	262.40	524.80	1049.60	2624.00	5248.00
Tokyo	98.12	490.60	981.20	1962.40	3924.80	7849.60	15699.20	39248.00	78496.00
Yen	1.00	5.00	10.00	20.00	40.00	80.00	160.00	320.00	640.00
Zurich	1.50	7.50	15.00	30.00	60.00	120.00	240.00	600.00	1200.00
1 ECU	1.48	7.40	14.80	29.60	59.20	118.40	236.80	592.00	1184.00
1 SDR	1.49	7.45	14.90	29.80	59.60	119.20	238.40	596.00	1192.00

Quotations in Amsterdam, London, New York and Zurich. Prices in other centers: Toronto rates of 2 p.m.

a: To buy one pound; b: To buy one dollar; c: Units of 100; N.B.: not quoted; N.A.: not available.

Other Dollar Values									
	Per \$	Per 100	Per 1000	Per 10000	Per 100000	Per 1000000	Per 10000000	Per 100000000	Per 1000000000
Argentina	1.00	100.00	10000.00	1000000.00	100000000.00	10000000000.00	100000000000.00	1000000000000.00	10000000000000.00
Australia	1.36	136.00	13600.00	1360000.00	136000000.00	13600000000.00	136000000000.00	1360000000000.00	13600000000000.00
Brazil	1.20	120.00	12000.00	1200000.00	120000000.00	12000000000.00	120000000000.00	1200000000000.00	12000000000000.00
Canada	0.75	75.00	7500.00	750000.00	75000000.00	7500000000.00	75000000000.00	750000000000.00	7500000000000.00
France	6.56	656.00	65600.00	6560000.00	656000000.00	65600000000.00	656000000000.00	6560000000000.00	65600000000000.00
Germany	1.82	182.00	18200.00	1820000.00	182000000.00	18200000000.00	182000000000.00	1820000000000.00	18200000000000.00
Italy	1.36	136.00	13600.00	1360000.00	136000000.00	13600000000.00	136000000000.00	1360000000000.00	13600000000000.00
Japan	100.00	10000.00	1000000.00	100000000.00	10000000000.00	1000000000000.00	10000000000000.00	100000000000000.00	1000000000000000.00
UK	1.00	100.00	10000.00	1000000.00	100000000.00	10000000000.00	100000000000.00	1000000000000.00	10000000000000.00
US	1.00	100.00	10000.00	1000000.00	100000000.00	10000000000.00	100000000000.00	1000000000000.00	10000000000000.00

Forward Rates									
	30-day	60-day	90-day	120-day	150-day	180-day	210-day	240-day	360-day
Canada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
France	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Germany	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Italy	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Japan	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
UK	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
US	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Sources: ING Bank (Amsterdam); Reuters Bank (Bonn); Banca Commerciale Italiana (Milan); Deutsche Presse (Frankfurt); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (Washington, D.C.). Other data from Reuters and AP.

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MARKET DIARY

Stabilizing Bonds Give Stocks a Break

Compiled by Our Staff From Dispatches

NEW YORK — A stabilization of the bond market and Treasury Department action on Friday gave the stock market room to stage a small rebound from recent losses, but many analysts placed little confidence in the rally.

The Dow Jones industrial average closed 21.69 points higher at 3,446.65, while gains issues

outnumbered losing ones by a 4-to-3 ratio on the New York Stock Exchange. Volume was only 197.3 million shares, down from 293.4 million Thursday and the lightest since early February.

The price of the benchmark 30-year Treasury bond edged down 1/32 point, to 84 3/32, while the yield was steady with Thursday at 7.61 percent.

Ribi Immunochem Research plunged 3 1/2, to 4, after the biotechnology company said its most advanced drug had failed a human trial.

"Initially, it was recovery in

the dollar which gave a boost to the bond market and supported stocks, but there was no buying conviction whatsoever," said Robert Walberg, an equity analyst at MMS International in Chicago.

Many investors were reluctant to set positions before next week, when the Federal Open Market Committee meets. Some analysts are expecting the meeting to result in another raising of interest rates by the Federal Reserve Board.

Casino stocks rallied after reports that Bally Entertainment was seeking federal antitrust clearance to acquire a major stake in Circus Circus Enterprises. Circus Circus jumped 4 1/2 to 25 1/2 in active trading. Bally rose 1/4 to 6 1/4.

IBM fell 1/4 to 57 in active trading after being lowered to hold from outperform by a Lehman Brothers analyst.

Advanced Micro Devices rose 1/2 to 26 after reporting a 45 percent increase in second-quarter earnings.

(Bloomberg, AP)

DOLLAR: Traders Are Nervous

Continued from Page 9

and Wednesday. At those meetings, the Fed will set monetary policy for the rest of the year.

There was a mild inflation scare when the National Association of Purchasing Management reported that its price index rose to 73.5 in June from 71.5 in May. But that is a narrow gauge and runs counter to slowing commodity prices.

Four times this year the Fed has signaled a rise in short-term

Foreign Exchange

interest rates in a program to tighten credit against concerns about domestic inflation, which has little to do with the dollar and hardly stabilized it anyway.

Although Wall Street has been calling for the Fed to raise rates yet again to help the dollar, analysts doubt that the Fed will throw away one of the few American cards to be played at the summit meeting by raising rates beforehand.

Some add that the Fed is more likely to wait for the June employment report, which will be published Friday — just when the summit meeting starts. For the Fed, the key points are whether job creation goes over 250,000 and whether the dive of last month's unemployment rate to 6 percent was a statistical fluke.

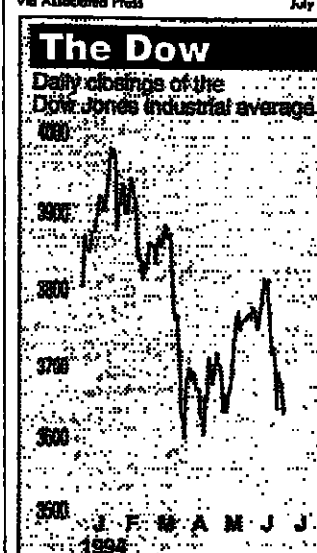
The shortened trading week, therefore, is likely to see a nervous game of political and financial positioning that could include a raid by central banks on dollar holders if they are overextended. That fear alone is likely to keep traders in line.

The Japanese put their summit marker down for help when Ryoichi Hashimoto, the minister of trade and industry, said that while it would be difficult to coordinate interest rates at Naples, the current level "is not a plus for the United States, and at the same time it is not a plus for Japan."

The French will also support coordination for currency stability, but most pressure will be directed at the United States to do the heavy lifting by raising its rates, pressure that Treasury Secretary Lloyd Bentsen has made it clear he would resist.

Mr. Bentsen said he would demand that the new Japanese government stand by its predecessor's promise to cut taxes and thus boost imports. He also told reporters that he would ask Japan to do its part by cutting interest rates.

Anthony Lake, the national security adviser, made it clear that the White House would prefer not to have President Bill Clinton involved in the messy business of haggling over rates.



Daily change of the Dow Jones Industrial Average

Via Associated Press July 1

NYSE Most Active

NYSE Most Active

NYSE Most Active

NYSE Most Active

NYSE Most Active

NYSE Most Active

NYSE Most Active

NYSE Most Active

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Dow Jones Averages

Open High Low Last Chg.

Indus. 3446.65 3446.65 3446.65 3446.65 -1.69

Transp. 1481.51 1481.51 1481.51 1481.51 -1.29

Comp. 1771.17 1771.17 1771.17 1771.17 -1.02

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EUROPEAN FUTURES

Open High Low Last Chg.

Aluminum (LME) 1470.00 1470.00 1470.00 1470.00 -1.00

Copper (LME) 150.00 150.00 150.00 150.00 -1.00

Gold (LME) 380.00 380.00 380.00 380.00 -1.00

Silver (LME) 16.00 16.00 16.00 16.00 -1.00

Platinum (LME) 1000.00 1000.00 1000.00 1000.00 -1.00

Palladium (LME) 1500.00 1500.00 1500.00 1500.00 -1.00

Nickel (LME) 10.00 10.00 10.00 10.00 -1.00

Zinc (LME) 100.00 100.00 100.00 100.00 -1.00

Lead (LME) 100.00 100.00 100.00 100.00 -1.00

Tin (LME) 100.00 100.00 100.00 100.00 -1.00

Cadmium (LME) 100.00 100.00 100.00 100.00 -1.00

Antimony (LME) 100.00 100.00 100.00 100.00 -1.00

Bismuth (LME) 100.00 100.00 100.00 100.00 -1.00

Manganese (LME) 100.00 100.00 100.00 100.00 -1.00

Selenium (LME) 100.00 100.00 100.00 100.00 -1.00

Tellurium (LME) 100.00 100.00 100.00 100.00 -1.00

Vanadium (LME) 100.00 100.00 100.00 100.00 -1.00

Chromium (LME) 100.00 100.00 100.00 100.00 -1.00

Molybdenum (LME) 100.00 100.00 100.00 100.00 -1.00

Cobalt (LME) 100.00 100.00 100.00 100.00 -1.00

Niobium (LME) 100.00 100.00 100.00 100.00 -1.00

Tantalum (LME) 100.00 100.00 100.00 100.00 -1.00

Rhenium (LME) 100.00 100.00 100.00 100.00 -1.00

Iridium (LME) 100.00 100.00 100.00 100.00 -1.00

Osmium (LME) 100.00 100.00 100.00 100.00 -1.00

Rhodium (LME) 100.00 100.00 100.00 100.00 -1.00

Palladium (LME) 100.00 100.00 100.00 100.00 -1.00

Silver (LME) 100.00 100.00 100.00 100.00 -1.00

Gold (LME) 100.00 100.00 100.00 100.00 -1.00

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Palladium (LME) 100.00 100.00 100.00 100.00 -1.00

Telefónica Buys A 25% Stake In Unisource

AFP-Estrel News

THE HAGUE — Unisource, a joint venture between Koninklijke PTT Nederland NV, Swiss PTT Telecom and Telefonet of Sweden, said Friday that Telefónica de España SA would join Unisource as a fourth shareholder.

Unisource said that under the agreement, Telefónica will

be able to offer global services through the SITA network. SITA operates the largest private value-added network in the world, supporting more than 300 customers in travel-related and other industries.

Exact terms of the venture were not disclosed.

A KPN spokesman said each of the four partners would hold a 25 percent stake in Unisource.

Since a letter of intent was signed Dec. 1, 1993, Unisource and Telefónica have been jointly participating in a number of projects in the business network and satellite area, the company said.

Telefónica's acquisition of a stake in Unisource is subject to final written approval from shareholders and national and European authorities, Unisource said.

As a shareholder, Telefónica will participate in all business areas within Unisource, including data, satellite, cable, mobile, voice and carrier services, Unisource said.

Unisource's president and chief executive, Vassilis Vassiliou, said that the company's annual news conference would take place in the next few days. He said that the company's mission was to enhance the strength of Unisource's European mission.

Spain Opens Its Market
Spain's cabinet has paved the way for competition in cellular phone services, a move that will pose the biggest challenge yet to Telefónica de España SA's monopoly, Bloomberg Business News reported from Madrid.

Friday, the Spanish cabinet adopted the legislative framework to permit competition in mobile-phone services.

Cellular telephones are the centerpiece in the European Union's efforts to prod member states to liberalize the multi-billion-dollar telecommunications industry. Spain is one of the last EU nations to move to open its market.

Croatia Starts to Rebuild Economy World Bank Backs Loan as Foreign Investors Return

By James Hansen

Special to the Herald Tribune

ZAGREB, Croatia — The World Bank will soon approve a \$128 million emergency reconstruction loan to this new Balkan republic born from the ashes of the old Yugoslavia, Croatian officials say.

The loan, which would be the first significant international financing to reach Croatia since it broke away from the former Yugoslav federation three years ago, is intended to fund the rebuilding of roads, bridges and other infrastructure in the war-damaged country.

The loan and the return of big foreign companies as investors here are signs that Croatia may be picking up the pieces again.

Though the amount of the loan is modest compared with the estimated \$20 billion in war damage their country has suffered, Croatians say the granting of the loan is more important than its value.

"The World Bank loan signals the lifting of a de facto financial embargo against Croatia," Deputy Prime Minister Borislav Skrgo said in a recent interview.

According to Mr. Skrgo, the granting of the loan is "a necessary precondition" to further Croatian negotiations with the International Monetary Fund to establish a standby credit arrangement intended to consolidate the new country's banking system.

Mr. Skrgo says he expects an IMF standby arrangement to be signed in

September and become operational by year-end.

The IMF agreement will pave the way for a further "policy-based" World Bank loan of \$100 million intended to help put the country's banking system back on its feet.

Mr. Skrgo said these steps would put his country in shape to resume international negotiations over Croatian debt.

According to Mr. Skrgo, Ericsson will also purchase 49 percent of the equity of Tesla in a complex deal valued at 70 million Deutsche marks (\$43 million). Other shares will go to the 3,800-member Tesla work force.

Mr. Skrgo said Ericsson was attracted both by its knowledge of the Croatian company — Ericsson and Tesla have been co-operating for more than 35 years — and by the low cost of Croatian technical personnel. "Ericsson will be able to pay Tesla's 600 software engineers a third to half of what they'd cost in Sweden," Mr. Skrgo said.

The Tesla deal is the largest foreign direct investment so far in the privatization of Croatia's industrial establishment.

This year, Germany's Iwerks acquired 50 percent of the Zagreb chemical company Chromos Aroma and brewers Interbrew (Belgium) and Southern Breweries Establishment (Liechtenstein) — the investors are South American — acquired 33 percent and 31 percent, respectively, of breweries based in Zagreb and Karlovac.

In the largest of the beer deals, Denmark's Tuborg Carlsberg has acquired 60 percent of Podravka Breweries of Koprivnica for 35 million DM.

Switzerland's Société Suisse de Ciment Portland has picked up a 51 percent stake in Tworoca Cementa, in Koromacno, and the German company Heidelberg Zement has acquired 25 percent of the Revelante cement factory in Istria.

New access for Croatia to international finance is not the only sign the country is beginning to bring its economy back to life. Foreign direct investment is also picking up.

LM Ericsson AB of Sweden will take management control of Zagreb-based Nikola Tesla Electrical Industries under the new Croatian Republic's privatization program.

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Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
2318	3300	2400
2290	3280	2380
2260	3260	2360
2230	3240	2340
2200	3220	2320
2170	3200	2300
2140	3180	2280
2110	3160	2260
2080	3140	2240
2050	3120	2220
2020	3100	2200
1990	3080	2180
1960	3060	2160
1930	3040	2140
1900	3020	2120
1870	3000	2100
1840	2980	2080
1810	2960	2060
1780	2940	2040
1750	2920	2020
1720	2900	2000
1690	2880	1980
1660	2860	1960
1630	2840	1940
1600	2820	1920
1570	2800	1900
1540	2780	1880
1510	2760	1860
1480	2740	1840
1450	2720	1820
1420	2700	1800
1390	2680	1780
1360	2660	1760
1330	2640	1740
1300	2620	1720
1270	2600	1700
1240	2580	1680
1210	2560	1660
1180	2540	1640
1150	2520	1620
1120	2500	1600
1090	2480	1580
1060	2460	1560
1030	2440	1540
1000	2420	1520
970	2400	1500
940	2380	1480
910	2360	1460
880	2340	1440
850	2320	1420
820	2300	1400
790	2280	1380
760	2260	1360
730	2240	1340
700	2220	1320
670	2200	1300
640	2180	1280
610	2160	1260
580	2140	1240
550	2120	1220
520	2100	1200
490	2080	1180
460	2060	1160
430	2040	1140
400	2020	1120
370	2000	1100
340	1980	1080
310	1960	1060
280	1940	1040
250	1920	1020
220	1900	1000
190	1880	980
160	1860	960
130	1840	940
100	1820	920
70	1800	900
40	1780	880
10	1760	860
	1740	840
	1720	820
	1700	800
	1680	780
	1660	760
	1640	740
	1620	720
	1600	700
	1580	680
	1560	660
	1540	640
	1520	620
	1500	600
	1480	580
	1460	560
	1440	540
	1420	520
	1400	500
	1380	480
	1360	460
	1340	440
	1320	420
	1300	400
	1280	380
	1260	360
	1240	340
	1220	320
	1200	300
	1180	280
	1160	260
	1140	240
	1120	220
	1100	200
	1080	180
	1060	160
	1040	140
	1020	120
	1000	100
	980	80
	960	60
	940	40
	920	20
	900	0

Very briefly:

- Anglo American Corp., South Africa's largest company, reported a 19 percent rise in net earnings, to 2.984 billion rand (\$817 million), for the 1993-94 financial year.
- German stock trading on the country's eight regional exchanges increased 35 percent in the first half of the year from the comparable period in 1993, to 4.2 trillion Deutsche marks (\$3 trillion).
- Vendôme Luxury Group PLC, whose brands include Dunhill and Cartier, said pretax profit fell 5 percent, to 431.5 million Swiss francs (\$322 million), in the year ended March 31 after a heavy one-time reorganization charge.
- ICL PLC, a British computer maker, and the U.S.-based Computer Associates International Inc. said they would jointly develop and market software for client-server networks around the world.
- Daily Mail & General Trust PLC, the British newspaper group, and its ally European Media Partners Ltd. bought 10 percent of Chiltern Radio PLC, which operates north and west of London.
- Glaxo Holdings PLC announced a reorganization and placed the chief operating director, Franz Humer, in charge of research and development, manufacturing and Latin American markets.
- Cable & Wireless (West Indies) Ltd. signed an agreement with France Telecom and local telecommunications companies to build a \$60 million fiber-optic system in the eastern Caribbean.

Reuters, Bloomberg

Enterprise Oil Bid for Lasso Falls Short

Bloomberg Business News

LONDON — Enterprise Oil PLC failed to unite the U.K.'s largest independent oil companies, as it said Friday that holders of a majority of Lasso PLC's shares had rejected its hostile takeover bid.

Enterprise, which launched the cashless takeover attempt April 28, said it had received commitments from holders of 32.8 percent of Lasso shares, well short of what it needed to take control.

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A majority rejected the offer of new Enterprise stock and warrants valued at £1.59 billion (\$2 billion) after a two-month battle for the confidence of Lasso investors.

"We are naturally disappointed with the outcome of the bid," said Graham Hearne, Enterprise's chairman and chief executive. "I still believe that the assets fit together well, the terms were right and the price a fair one."

THE MONEY REPORT

FIRST COLUMN

Wisdom: It's Cheap When Not Needed

AFTER the years of plenty come the years of famine. In few cases is that better illustrated than in the supply of financial wisdom.

Last year there were many experts about, some of whom could reinforce their more extravagant opinions by simply pointing to equally extravagant investment performances and conspicuously profitable financial decisions. Everyone was making money; everyone was wise.

Then came the interest rate chill of 1994, and the withering on the bough of much of that financial expertise. Suddenly the wise virgins began to look foolish (and, if you take into account what the markets were doing to the professional reputations, anything but virginal).

Chief victim of the harsh climate of 1994 has been the bond market. Rises in interest rates in many countries were triggered by the unexpected upturn in U.S. rates as the authorities tried to strangle U.S. inflation at birth.

This astonished the bond markets, where one of the main strategies toward the end of 1993 appeared to be, as we suggested at the time, the following: Go long, go to lunch for four hours, come back a hero. We were slightly premature in calling the end of the run for the bond bulls. They had more than a month to go. But in the context of long-term investment calls, the buy decision in the fall of 1993 and the call to sell in late fall 1993 were broadly right.

Readers have written asking why the dollar has weakened against the Japanese yen and the British pound when some commentators—including this column—were arguing for the greenback's rise.

The answer is that there is no good reason, merely a good explanation. The foreign exchanges have been playing their favorite game of following a buy or sell trend for an improbably long period. The political and economic arguments for a rise in the dollar are as strong as they always were: The dollar is undervalued.

M.B.

Commodities Win Investors' Vote

By Thomas Crampton

THE dollar sinks, stocks fall, now even the simple pleasures of life threaten to turn bitter, with coffee prices shooting up to record levels. What can an investor do? Buy coffee beans, maybe.

Neil Breslin, executive director of Goldman Sachs in London, says this might not be a bad idea. He thinks the expanding global economy should push up commodity prices in the next few years.

If the Organization for Economic Cooperation and Development "kicks in and says there is positive growth, we know that in the rest of the world is mostly in very major positive growth, there will be a premium paid for commodities," said Mr. Breslin. "Commodities went down for five years, why can't they go up for five years?" he asked.

Mr. Breslin says that while the agricultural sector is less reliable, commodities are not as affected by the vagaries of weather as a fairly safe bet. "We say if you can build with it or burn it, buy it," he said.

Chris Stewart, manager of research for commodities at Merrill Lynch in New York, said that not only do commodities tend to do better than stocks in times of inflation, but that their prices also act independently. "The supply-demand outlook for each individual commodity has a large impact on its own price action, irrespective of what other commodities might be doing," he said. This means that the price of corn will not necessarily change if cocoa prices plummet. In this way, investors can use commodities to limit the effect of a stock market drop on the value of their portfolio.

For investors wishing to explore commodities, there are basically four ways to enter the market: physical holdings, derivatives, indexes and funds.

Physical holdings are commodities bought for immediate delivery. This is the least attractive alternative for investors. Physical holdings tend to be traded over the telephone, rather than on a market floor, and their price is known as the spot, or delivery price.

Even businesses that use traded commodities, such as restaurants, probably don't want to buy physical holdings. Portobellies, for example, are traded in lots of 40,000 pounds. This is roughly enough bacon to make 100,000 breakfasts, followed 140,000 BLT sandwiches.

Defensive Investing

Page 15 The risks in hedge funds
Top contrarian U.S. mutual funds
Personal option trades

Page 17 Taking refuge in utilities
The bear in bonds

For those with small refrigerators, trading derivatives takes less space. Recently lambasted as fancy Wall Street gimmicks, the original derivatives began down on the farm.

Farmers want to lock in on a price for their grain as soon as possible, so they can budget for the year ahead. Almost as soon as the crop seeds go into the ground, farmers offer contracts for the sale of the expected harvest. This is a futures contract. The crop is sold, delivery occurs at a later, specified date.

Speculation begins when the actual futures contracts are traded on an exchange. By putting little money down (5 percent of its value), speculators can buy a futures contract. If things go well, the price rises and the speculator sells for a profit. If things go badly, and a bumper harvest pushes down the price, the speculator will have to sell at a loss or come up with the additional cash in hours or days, or could be forced to take delivery.

To lower the risk, speculators can also buy options. An option is basically a deposit, or down payment, for the purchase of a futures contract.

If a speculator has a hunch that a drought will destroy wheat in America's Midwest, driving up the price, he will put down a deposit to buy a futures contract to obtain the grain at a low price. When the drought occurs, he will exercise his option to buy the grain for a bargain price, and sell it on for a whopping profit at the current price. If the drought doesn't occur, and prices drop, the speculator won't exercise his option to buy, but he only loses the deposit money.

The contracts traded are for grain not necessarily even grown yet, the contracts only derive their price from the grain, hence the name derivative. The esoteric Wall Street derivatives are simply variations on a theme. Instead of grain, traders speculate on currency fluctuations, the value of shares, interest rate changes, or a combination of these.

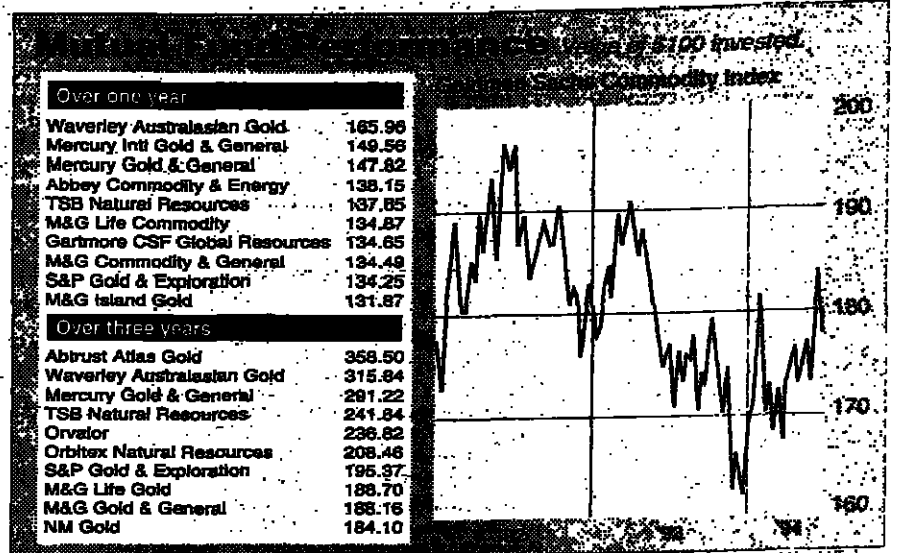
Although futures and options can be easily traded through commodities bro-

kers, they do require a good deal of knowledge about the market, or special insight into the weather. For those with neither, there are indexes and managed funds.

Commodities indexes, like stock indexes, are a basket of goods chosen and updated over time. The most readily traded indexes are the Commodity Research Bureau index and the Goldman Sachs Commodity Index. Investors can either mirror the index by purchasing equivalent proportions of commodities listed in the index, or they can actually trade futures of the index itself.

The fastest growing, and easiest, way into commodities, however, is through a managed futures fund. Managed funds, much like mutual funds of stocks, allow individual investors to diversify their risk among many commodities, limit their liability in case things go wrong, and use the knowledge and experience of experts.

"For \$2,000 to \$5,000 you have access to trading advisers who might have a minimum requirement of \$1 million, if you were to open an individual account with them," added Lois Peltz of Managed Ac-



Source: Micropal

count Reports, a New York newsletter that tracks the performance of futures funds. According to Managed Account Reports, the managed futures industry has grown to \$23 billion, from virtually nothing in 1979.

Although they are set up like mutual funds, most analysts advise investors put

no more than 8 to 10 percent of a portfolio into commodities. "The general rule of thumb," according to Mr. Stewart, "is that you should not put money into the commodities market that you cannot afford to lose." He added that badly mismanaged funds are occasionally forced to liquidate, leaving not one slice of bacon for investors.

Derivatives: Risk in Proportion to Profit

By Aline Sullivan

PROFESSIONAL advisers rarely agree on the attributes of a successful investor. But as markets around the world continue to slide, one point of consensus does emerge: To buck the trend takes guts.

"Some people have done extremely well in this selloff," said Jonathan Wauton, a derivatives salesman at the London stock brokerage Barclays de Zoete Wedd. "Most people just want to save their money in a bear market and are scared to take strong positions. Those who have done well were prepared to stake their reputations on the way down as well as on the way up."

Foremost among the investors who prospered last month are those who used derivative products—options, futures, warrants and convertibles—to speculate against the dollar or against stock market indexes and individual share prices.

Derivatives are most commonly used by private investors to protect their portfolios in a downturn. But they can also make investors a lot of money in bear markets. A

security can be shorted by buying a put option entitling the holder to sell a certain number of units at today's price in, say, two months' time. If the price of the security falls in the meanwhile, the holder of the put option will make money.

Currency options can be used in the same way. An investor who bought a yen put option on the dollar two months ago would have profited handsomely from the dollar's recent slide.

"Instead of having to decide which shares to sell and through which guts to seek relative protection, you can quickly achieve portfolio reallocation by the use of futures or options contracts," said Philip Gould of London stock brokerage Killic & Co. "Similarly, you can reallocate your fixed interest investments between currencies. Cross border equity allocation can also be changed."

Because options enable investors to hedge their exposure to falling share values without having to sell the shares themselves, they also have significant tax advantages. The investor escapes the capital gains liability he would have incurred if he

had sold the shares. Instead he compensates for the fall in the share price by a rise in the value of his option.

"Using derivatives is an ideal way to protect a portfolio of shares or hedge a currency holding," said Andrew Marshall of Derivative Securities in London. "They help clients who would otherwise be trapped in positions because of capital-gains tax."

"But our strategies are low risk," Mr. Marshall said. "We use derivatives to protect client profits, not for speculative trading."

Mr. Gould at Killic also advises private clients to use derivatives primarily to protect their investments, rather than as investments in their own right.

"You have to be very careful about what you do," warned Karl Hancock, a European analyst at County NatWest Securities in London. "Options are a very dangerous game."

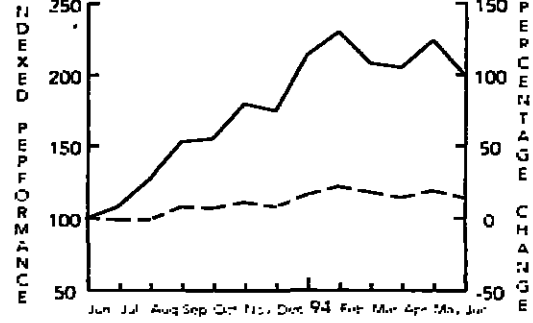
The Money Report is edited by Martin Baker.



INVESTCO Fund Performance Comparisons

EUROPEAN WARRANT FUND*

(From 1st June, 1993 to 30th May, 1994)



INVESTCO European Warrant Fund (U.S.\$) + 100.57%
MSCI Europe (U.S.\$) + 14.59%
Source: Micropal, after-tax, no income (U.S.\$)

FUND OBJECTIVE

To provide shareholders with capital growth from a highly geared investment in the European equity market through equity warrants.

ASIA TIGER WARRANT FUND*

(From 1st June, 1993 to 30th May, 1994)



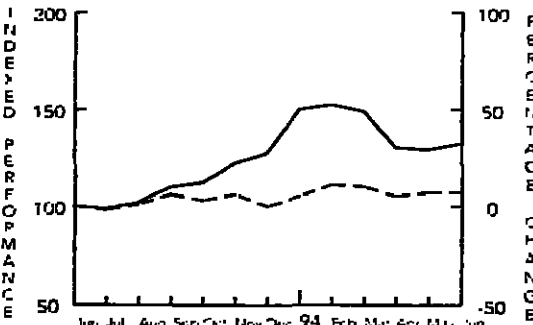
INVESTCO Asia Tiger Warrant Fund (U.S.\$) + 94.47%
MSCI Pacific ex Japan (U.S.\$) + 30.36%
Source: Micropal, after-tax, no income (U.S.\$)

FUND OBJECTIVE

To achieve long-term capital growth from a highly geared portfolio of Asian equity warrants.

PREMIER SELECT GLOBAL EMERGING MARKETS FUND

(From 1st June, 1993 to 30th May, 1994)



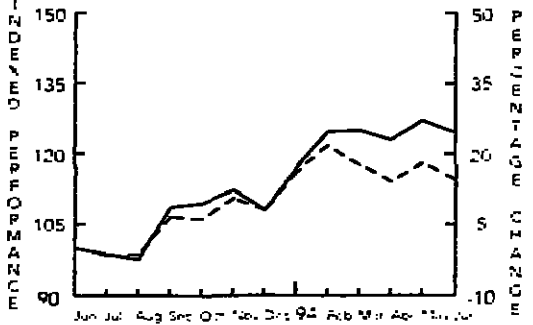
INVESTCO PS Glob. Emerg. Mkts (U.S.\$) + 31.78%
MSCI World Index (U.S.\$) + 7.79%
Source: Micropal, after-tax, no income (U.S.\$)

FUND OBJECTIVE

To achieve capital growth from investment in leading companies based in the emerging markets of the world.

PREMIER SELECT EUROPEAN ENTERPRISE FUND

(From 1st June, 1993 to 30th May, 1994)



INVESTCO PS Euro Enterprise (U.S.\$) + 24.57%
MSCI Europe (U.S.\$) + 14.59%
Source: Micropal, after-tax, no income (U.S.\$)

FUND OBJECTIVE

To achieve long-term capital growth from investments in the smaller companies and special situations of any European Stock Market.

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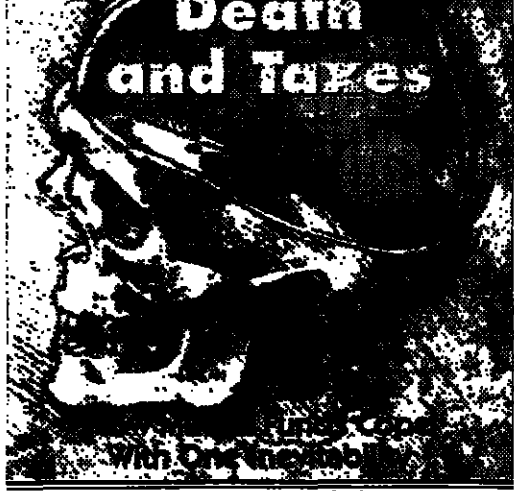
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THE MONEY REPORT

A Renewal of Interest in Protecting Portfolios

By Digby Lerner

FOR most investors the idea of using options to protect the value of their portfolios is like asking the big bad wolf to take care of the three little pigs.

Highly publicized horror stories exposing the risk of speculating with derivatives — like the record \$157 million loss announced recently by Procter & Gamble — have done nothing to improve their image.

But a growing number of investors are realizing that derivatives can be used defensively.

This is due partly to the numerous guaranteed mutual funds now on the market. These funds, through a balance of options, cash on deposit and zero coupon bonds, promise a high proportion of stock market gains over a given period or, if the market falls, the return of the original investment.

The turmoil in stock and bond markets last week as the dollar weakened underlined the need for investors to consolidate gains wherever possible.

Creig Walton, an analyst with the British fund manager Foreign & Colonial, says the current uncertainties in the market have renewed interest in

the company's range of guaranteed funds.

"Different types of fund have their moment in the sun," he said. "Now defense is the key word; investors are looking for guarantees. As a result our derivative-based funds are proving very popular."

Using options as a stop loss insurance is also gaining currency with investors running their own portfolios. When the market looks as though it may fall, for example, put options can be bought to cover all the shares an investor holds. The premium on these is usually only a small percentage of the actual share value.

The put gives the holder the right to sell a share at an agreed price at some later date. This is likely to be at or around the current share price. If the market falls the put option is brought into play and the only loss suffered by the investor is the premium he or she paid for it.

If, instead, the market rises the option is allowed to expire.

Call options do the same job in reverse. They are used to bet against a rising market. The investor usually buys a basket of calls weighted to match a particular index. This confers the right to buy these shares at an

agreed price later. Once again this price will be roughly equal to the current value of the underlying shares.

If the market rises the investor can buy the shares at their former value and sell them immediately at a profit. Had the market fallen during the same period the calls would have been allowed to expire and, once again, the only money lost would be the relatively small amount the investor paid for them.

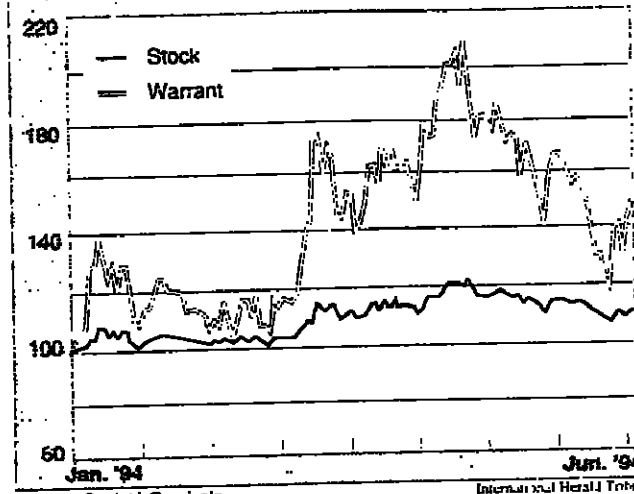
Andrew Gregory, an analyst with fund manager Kleinwort Benson in London, says defending portfolios with call and put options neatly sidesteps the need to take more drastic action when stock markets become hard to predict.

"For many investors the obvious way to cope when the market appears ready to fall is to liquidate part or all of the shareholding. This can be tricky for a number of reasons — not least is the risk of triggering a tax liability. By using put options the portfolio can remain invested. There's no tax bill, no fees, and you know in advance how much risk you're taking."

He adds that the same would be true for an investor holding mainly cash. While this decision may have been made for strate-

A Volatile Play on LVMH

How a call warrant's price reacts as LVMH stock price moves



Source: Societe Generale

International Herald Tribune

gic reasons, the risk that shares might take off in the mean time can be covered by buying calls. The portfolio can continue to hold cash without sacrificing exposure to the stock market.

Not surprisingly the premium cost of call and put options increases when share prices become volatile. One analyst, who prefers not to be named, says a rocky patch like that suffered by major markets last week can push the premium charged for

options up from 1 percent of the value of the underlying stock to 6 percent. But he says price increases are unlikely to dissuade investors from hedging their portfolios.

"It's true that premiums are higher now than they were previously," he said, "but in a market as hard to predict as this one people are prepared to pay a high price for the sake of bringing some element of certainty into what they are doing."

Hedge Funds: Are They Safe?

By Rupert Bruce

THE verb to hedge means to surround with a fence or hedge for protection. Hence the term hedge fund. But in the last six months, so-called hedge funds seem to have singularly failed to live up to their name.

In the first three months of the year, they were infamously caught out by backing the dollar against the yen, and betting on a continuation of the bull market in European bonds. When the music stopped and the markets turned against them, some of these funds took big losses.

Among the worst hit were some of the big names. George Soros's Quantum Fund made newspaper headlines with one-day losses of \$600 million on Feb. 14, a day when the yen spiked up against the dollar, and Michael Steinhardt's funds also took big losses during the first few months.

In other words, the hedge funds seemed to be anything but hedged. The best-known funds seemed in fact to be nothing more than highly leveraged gambles.

Originally, the term hedge fund was appropriate. In January 1949, a stock picker called Alfred W. Jones founded the first hedge fund, which was a fund that took both long and short positions in equities. This means it both bought shares and sold shares it did not own. In this way it could bet on share prices moving up and down.

The idea was that Mr. Jones could buy those shares which he thought were undervalued and

sell those he thought overvalued. Those he bought should rise, and those he sold fall. And, with both long and short positions, the fund should be relatively immune to the direction of the stock market as a whole.

Over the years the fund grew until by 1968 what had started as a \$100,000 fund was a \$100 million fund. The concept caught on, and in the early 1970s there were quite a few managers running hedge funds.

Dixon Boardman, managing general partner at Optima Asset Management, a New York multimanager group, said it was not until the 1980s that the narrow definition of hedge fund ceased to apply. Since then, he added, a variety of styles have developed and hedge funds are best defined by the fact that the manager takes an incentive fee typically running at 20 percent of investment performance.

These days the best-known type of hedge fund is the macro fund, the leading example of which is George Soros's Quantum Fund. These are generally huge funds that may invest in any of the world's financial markets.

Others include distressed securities funds that invest in American companies in Chapter 11 bankruptcy proceedings, or in European companies undergoing financial reorganization. There are also arbitrage funds, emerging-market funds, short-selling funds and many others, including, of course, the original long and short equity fund.

Michael Goldman, managing director of Momentum Asset Management, a London multimanager group, said: "A num-

ber of the hedge managers were stock pickers and still are stock pickers, but have built teams and infrastructures that are more 'macro' than stock pickers. To manage as much money as these guys have you can't stock pick in the U.S. stock market because you are too big."

George Van, chairman of International Advisory Group, a hedge fund consultancy based in Nashville, Tennessee, confirmed that many of the most successful managers have been forced by their own success to move away from stock picking and to invest in the international bond and currency markets, where it is easier to move billions of dollars from one investment to another.

"The macro approach basically is generally thought by the industry to be one of the few styles that can handle huge amounts of money," he said. "We are talking about Soros betting against the Bank of England. When you are talking about bonds and currencies there is, at least in theory, a lot more liquidity."

Mr. Van's research shows that the popular perception that hedge funds as a whole did badly in the first quarter of this year is far from the truth. "The media tended to concentrate on the larger funds that had great long term records but did badly in the short term," he said.

Some 52 percent of the more than 500 funds on the International Advisory Group's database had positive returns after all charges in the first quarter. That compares with a loss in the S&P 500 index of 3.8 percent with dividends reinvested.

The Bears Sport a Well-Fed, Not to Say Smug, Look

By Judith Rehak

THE turmoil sweeping through the American stock and bond markets in the past six months has severely shrunk the winner's circle in the mutual fund arena. Of the 33 categories of funds tracked by Lipper Analytical Services, the American fund-data group, all but three were in the loss column as of last week. Only those specializing in Japan soared, up more than 25 percent as a group after three years of dismal performance.

Not surprisingly in such markets, the few money managers who can boast of beating the averages have used an array of defensive tactics: Many hoarded more-than-usual amounts of cash; others were nimble enough to be out of the market when it plunged; gold and other commodity-type holdings were another refuge. And the courage to place big bets on a few stocks provided rich rewards for some.

Consider a new arrival, the Strong Growth Fund, which was up 6.6 percent for the year as of last week, in contrast to an average loss of 5.39 percent for its category. The fund picked up gains in the first quarter in volatile technology stocks, but its manager, Ronald Ognar, cut that position from 25 percent to 5 percent in time to miss the downdraft in that sector, switching over to regional bank stocks as a "good place to hide."

But Mr. Ognar is maintaining a 35 percent cash position. "It's still time to be defensive because it's just too easy to lose money and stocks aren't dirt cheap yet," he said.

Anthony Orphanos, who runs the Warburg Pincus Growth & Income Fund, also made money on such technology stocks as the chip makers National Semiconductor and Micron Technology, which he picked up when they were out of favor last year. But he's fending off the bears with a hefty 18 percent stake in gold mining companies as well, and maintaining a larger-than-

usual 10 percent cash hoard after unloading a third of his high-tech shares.

Mr. Orphanos, who likes to make big, concentrated bets, is now "very lightly" buying financial service stocks like property-casualty insurers Allstate and USF&G, which have fallen as much as 30 percent to 40 percent. "I'm almost contrarian, buying things that are cheap and have declined a lot," he said.

For sheer bearishness, however, it's hard to beat the iconoclastic Robertson Stephens Contrarian Fund.

"We're extremely defensive and positioned for a bear market," said Andrew Pilara of the fund's management team. He noted that Paul Stephens, the firm's chief investment officer, thinks the Dow Jones industrial average could fall below 3,000 in the next 18 months. The fund has returned 4.6 percent for the year based on an unusually large "short" position of nearly 25 percent, calculated to profit when the Standard & Poor's 500 index tumbles or high-flying stocks like

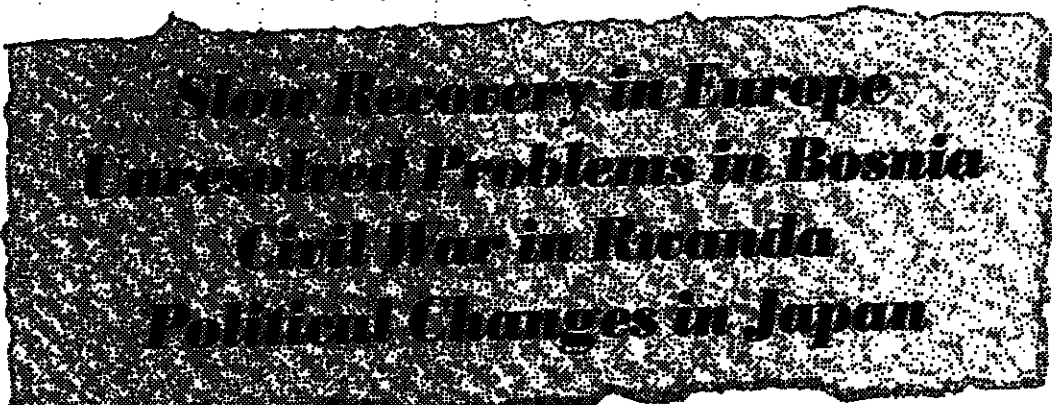
casino shares take a fall. Another 25 percent chunk is in gold mining companies, and the fund was early to buy commodity stocks like Kaiser Aluminum and INCO, a nickel company, both of which have performed well this year.

As for the disastrous bond funds: The average bond fund is down 4.04 percent for the year. There are two noteworthy performers, although neither qualifies as a typical bond vehicle.

Northeast Investors Trust, a high-yield bond fund, was boasting a 3.6 percent total return last week, in contrast to a loss of 2.5 percent for the average junk bond vehicle.

A second successful income play this year was the Franklin Templeton Hi Income fund, which is a currency fund investing in top-rated global fixed income instruments. It is one of three Franklin currency vehicles which have turned in top performances by betting on a weak dollar at the outset of the year.

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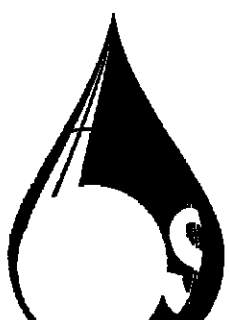
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THE MONEY REPORT

Is Faith in Utilities Misplaced?

Rising Interest Rates and Competition Depress Shares

By Conrad de Aenle

PEOPLE often buy shares in electric utilities because they want something that will do better when everything else is doing badly. Although utilities seldom make headline-grabbing gains in a rising market, in times of economic weakness or high volatility, or both, they are thought to be more resilient than other issues.

Not this time. Since American stocks began to fall last winter, utilities have underperformed the broad averages, and by a wide margin. Earlier this week, the Standard & Poor's 500 index of large companies showed a loss for the year of about 5 percent; the S&P utility index was down 12 percent over the same period.

What's worse, the 500 index began the year close to its all-time high; the utilities had already fallen considerably from their summertime peak. As of the close on Wednesday, the S&P utility index is 19 percent below the September high.

The other widely followed measure of utility shares, the Dow Jones utility average, has done even worse; it is off more than 30 percent from its high. The component companies are supposed to be defensive market plays: a 30 percent drop in less than a year is enough to offend even the most forgiving shareholder.

The most obvious reason for the decline is that interest rates have shot up since the fall. Interest rates matter for two reasons. The simpler one is that the companies borrow a lot to finance plant construction and so their interest costs are huge. Shaving a point on loan rates can save millions.

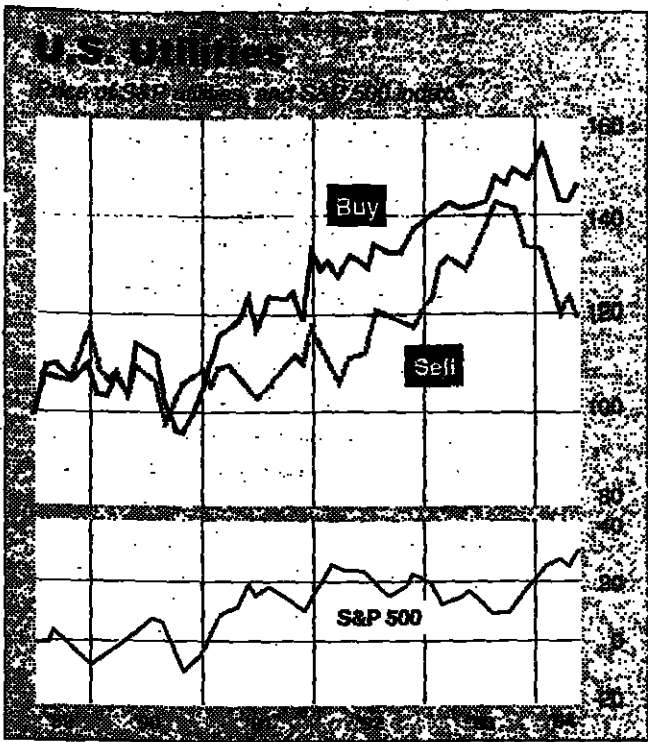
More important is the fact that utilities are big, sluggish businesses that have limited growth potential. They tend to do one thing in one place—sell electricity in Chicago, say, or natural gas in New Mexico. People who buy their shares are looking for the income of the high dividends they pay out.

As yields rise on Treasury bonds—a safer investment—the yields of utilities become less attractive, and their share prices must fall to compensate. The extremely sharp drop of the last several months has sent the average yield on electric utilities to 7.3 percent, said Kathleen Lally, who follows that group for Salomon Brothers. That's considerably higher than it was, but still lower than the yields available on Treasuries.

"I would like to see yields on the stocks exceed the yield on the long bond," Ms. Lally said. "You would see some market recognition of the risk to profitability and dividends." She added that in the past, electric utilities had done well whenever their yields exceeded Treasury yields.

Utility stock prices tend to lead the market in both directions, bottoming and topping weeks or months ahead of the "broad averages." It is often noted that they did better in the crash of 1987 or the summer bear market of 1990 than industrial issues, but they had already begun to fall before the rest of the market peaked.

Toward the end of a decline, the improved performance reflects a so-called flight to quality as the public's disenchantment with volatile, low-yielding



Source: Bloomberg

International Herald Tribune

stocks begins to set in. That has not happened this time.

People who track the industry say utilities don't represent the quality they used to because their dividends, which embody the companies' worth and had been thought all but untouchable, are no longer deemed to be so safe.

The downward spiral of the utility averages accelerated last month when FPL Group, the corporate parent of Florida Power & Light, said it would slash its dividend 32 percent after 48 years of consecutive dividend increases. FPL's stock fell 13 percent in a day.

Ms. Lally noted that other electric utilities have cut their dividends in recent months, including SCE Corp., which owns Southern California Edison, and Centene Energy, in Ohio. In broadly selling utility shares, she said, traders had been factoring in the apparently greater risk of dividend cuts elsewhere.

Brokerage analysts have been making the same sort of calculations. Of the 48 American utilities tracked by Lehman Brothers, only six are judged to carry low risk for their industry group and a chance for a total return of 10 percent to 25 percent over the next year. They are Duke Power, Central & South West, Citizens Utilities, General Public Utilities, Southern Co. and Union Electric.

Centene and SCE are placed in the "speculative" category, beyond high risk, with projected total returns of 10 percent or less. FPL Group is rated much higher, though, one notch below the six top choices.

Roger Conrad, editor of the newsletter Utility Forecaster, thinks the dividend scare has hampered the electric utilities without discriminating the good operators from the bad. That makes the better ones worth buying. His advice is to look for companies that have "a strong balance sheet, adept management, a healthy sales base, low customer rates, efficient operations, profit opportunities in the growth areas of their industry and good relations with regulators."

Six companies that meet these criteria are Duke and Citizens, and Kansas City Power & Light, Dominion Resources, Utilicorp and Entergy Corp. Companies falling short are liable to have a tough go of it. When FPL announced its divi-

dend cut, the chairman defended the move, saying the payout of \$2.48 a year a share didn't leave the company enough capital to compete in its marketplace. It was a telling remark. Utilities had been thought of as virtual monopolies that didn't have to compete.

No longer. A number of states, led by California, are considering whether to allow competition in supplying power.

"You have a major secular change under way in the industry," Ms. Lally observed. "It's a major change for an industry that has enjoyed a monopoly franchise." While profits are slowly rising at electric utilities as the U.S. economy continues its recovery, "their long-term ability to grow is very uncertain because of the potential for someone else having access to your customer base."

While the outlook may be bleak for utilities in the United States, it is brighter elsewhere. And the shares have done better. In Britain, for instance, which has many publicly traded electric companies, the Financial Times electricity index has fallen more than 20 percent since its high in early February, but it is still more than 10 percent above its level of a year ago. The FT 100 index of blue chips, meanwhile, is virtually unchanged.

American utilities have operated as private companies for many decades. For most of that time, they had virtual monopolies, with profits guaranteed by regulators. They are only now learning to adjust to a free market. Their British counterparts were privatized only in the last three or four years, but the authorities knew they were sending them out into a less cloistered world, and they equipped them to handle it.

"They were set up by the British government with extremely prudent and strong balance sheets that enabled them to show decent dividend growth," explained Michael Savers, who covers them for Morgan Stanley. Even in an environment in which competition is increasing and the regulatory regime is liable to grow more severe, "because of their secure financial position, they should show good dividend growth through the end of the decade. They can take the heat of competition without affecting shareholders."

BRIEF CASE

AMEX to Offer Israel And Mexico Options

The wanderlust of the derivatives department at the American Stock Exchange has found two new outlets of expression: The exchange has filed for approval to trade options on indices it has created to track shares in Mexico and Israel.

The Mexican index tracks 20 large issues that trade in the United States in the form of American depository receipts. The Israel index, developed with Oscar Gruss & Sons, an American brokerage that specializes in Israeli companies, follows 10 of the largest and most actively traded issues in that country.

An Amex statement said the need for indexes to track these markets—and for options on them with which to hedge and speculate—"could not be more apparent." This may be true for Mexico, which has become a very large economy, with a stock market to match.

Israel, however, is a tiny place, with a small, fledgling stock market. Interest in it abroad has not been overwhelming. The trading volume of a closed-end Israel fund listed in New York, for instance, has been running around 20,000 to 25,000 shares a day. And Israeli stocks have been trapped in a bear market that has trimmed the value of two key

Emerging Market Indexes

Country	Number of stocks	Foreign available market capitalization (US\$bn)
Argentina	19	11,878
Brazil	21	22,073
Chile	12	9,539
Greece	14	2,783
Indonesia	20	3,240
Korea	23	6,004
Malaysia	22	23,736
Mexico	24	38,273
Pakistan	10	1,106
Philippines	11	4,998
Portugal	14	4,825
Taiwan	30	10,075
Thailand	22	11,177
Turkey	22	858
Global Index	254	150,385
China	28	2,846
India	24	8,025

Source: Emerging Markets

*All data as at April 28, 1994

indexes by 30 percent to 40 percent since the start of the year.

Living in France? 2 Books on How To

There's no substitute for good research, as any broker will tell you. Which raises the question why so many corporations seem to neglect research—the culture and general background—in short, the everyday life—of the countries to which they send key executives.

For those relocating to France a new and valuable piece of research has just been published. "French or Foe" by

Polly Platt, an American living in Paris, offers a lively and informative guide to the customs and culture of the French from an Anglophone perspective. Topics covered include the small things, such as different conceptions of body space and the sport of queue-jumping, as well as more serious business matters such as time-keeping and the idea of what a business meeting is meant to achieve.

Written with considerable sympathy for France and the French, the consistent argument is that understanding is the key to diffusing foreigners' frustrations.

Gilts Look Like a Good Deal for the '90s

By Rupert Bruce

GENTLEMEN prefer bonds, goes a well-worn City of London adage. The logic is that poor people buy equities because they want to get rich, but gentlemen buy bonds because they know how difficult it is. In other words, bonds are safer.

But in recent months, the stability of bonds in just about every major world market, including gilts, or British government bonds, has deserted them. In the last six months, gilt prices have fallen by as much as 20 percent in local currency terms. This fall, which mirrors similar declines across the international markets, follows a storming end to 1993. At year's end, bond prices rose swiftly, driven by burgeoning demand. When those buyers started to sell, the losses were dramatic.

"I think it is fair to say that we have not seen a period like this in the gilt market in recent history," said Peter Geikie-Cobb, an assistant director at Mercury Fund Managers.

Ian Shepherdson, an economist at HSBC Greenwell, said: "I would put things down to two reasons. Firstly, rising interest rates in the United States. Most people expected some rise, but they did not expect it so soon and they did not expect it to carry on. People are worried that they do not know why the Fed wants rates up. Answer: Maybe the Fed knows something we don't."

"Secondly, hedge funds took profits from their gilt investments back into dollars. Their view was that the dollar was going to rise."

The gilts that have fallen faster and further than any others are so-called long-dated gilts. These are gilts that the British government will repay more than 15 years from now. Naturally, because this is some way

Internationally Domiciled Funds

Value of \$100 invested on an offer to offer basis with gross income reinvested.

	Number of funds	Number of funds	Number of funds
End date	20.05.94	20.05.94	20.05.94
Start date	01.05.88	03.06.91	04.06.88
Average equity fund	112.03	6128	133.69
Average money market fund	102.44	1923	116.28
Average bond fund	101.55	3683	127.18

Source: M&P

International Herald Tribune

in the future, they tend to fluctuate in value more than short-dated gilts that are due to be repaid at a set price within the next five years.

While long gilts have fallen by as much as 20 percent this year, short gilts have fallen by about 5 percent. Modest in relative terms, but still a lot for these traditionally stable bonds.

Until the 1960s, most investment portfolios were stuffed with gilts, and equities were few and far between. Then a period of high inflation struck that lasted through the 1970s and '80s. Inflation eroded the value of the coupon, or interest payment, on bonds, and their capital value.

In response British investors, whether they were institutional or private, began the big switch into equities. Equities tend to be better investments in times of high inflation because their prices and dividends tend to rise with inflation.

These days equities make up the greater part of British investment portfolios. But the 1990s were hailed as the decade when high inflation had been defeated and gilts would come into their own once more. This credo was used to justify rising gilt prices in the tail end of last year, now, however, the danger of an upsurge in inflation is

being used to explain falling prices.

Tim Congdon, managing director of Lombard Street Research, an economic analysis consultancy, and a member of the British Treasury's panel of economic advisers, said: "Gilts never have been very good as defensive investments in an inflationary period. I suppose what is odd is that this has happened in a period when inflation is so low."

"Inflation is caused by excessive growth of quantity of money. The rate of monetary growth is 5 percent on a 12-month basis, which is likely to be consistent with 2 to 3 percent inflation over the medium term. There is no reason to expect a higher rate of monetary growth than that sort of figure. I think the government will meet its 1 to 4 percent inflation target over the next three to four years."

"I think gilts should be a good investment. Full stop." Others are not quite so sanguine. "Most would probably argue that we are not going to see inflation beyond 6 percent in this cycle. If inflation is running at 2 to 3 percent, the market is looking for something like 4 percent. I think they are about fair value at the moment," said Michael Hughes, managing director of economics and strate-

gy at BZW, a London investment bank.

Mr. Shepherdson thinks that short-dated gilts are probably a good defensive investment.

"You can buy a 7 percent 1997 gilt which gives a yield to redemption of 7.25 percent. It is trading at \$99 9/32, and that gives a running yield of 7.05 percent paid twice a year. It redeems at £100 on Aug. 6, 1997."

"If you expect inflation to be below government targets then you have a yield after inflation of 3.5 to 4 percent, maybe even 5," he said.

Mark Gull, a fixed income fund manager at Gartmore, believes that gilts should be less volatile from now on, and that they will come into their own in the 1990s.

"Cash will always be the prime defensive investment because the value cannot go up and down. But if people are looking to get an uplift on deposit account returns in future they will look at gilts more and more because I think we are moving out of the high inflation environment of the 1970s and 1980s."

Despite the fluctuations of the last six months, gilts look likely to regain their appeal as defensive investments and their attractions to gentlemen.

Credit Lyonnais Rouse at London (44-71) 214-6428.

Picking a Strategy In Emerging Markets

One of the central tensions when investing in mature markets is the choice between an aggressive stock-picking style and passively seeking to mirror the performance of a market's index. Now, in what may be construed as a sign of the increasing maturity of this area of investment, a choice between those two styles of investing is available for equity investors in emerging markets.

The recently launched Paribas Emerging Markets Index Allocation Fund offers investors the opportunity to select from 17 emerging market equity indexes, a global portfolio that tracks the Barings Global Emerging Markets Index and a cash portfolio for investors looking for a relatively risk-free resting place for their capital.

Paribas has announced its intention to add extra portfolios as and when the index compilers, Barings Securities, produce new emerging country stock indexes.

The fund, which is denominated in dollars, is open-ended, and is to be listed on the Irish stock exchange.

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SPORTS

Pinch Hitters
Awaken Bosox

The Associated Press

Manager Butch Hobson made the moves, his pinch hitters came through and the Boston Red Sox avoided the threat of an unwanted record — their longest-ever losing streak at Fenway Park.

Pinch-hitter Damon Berryhill tied the game with a two-run triple, then scored on a

AL ROUNDUP

ground out as Boston scored three times in the eighth inning for a 6-5 victory over the visiting New York Yankees on Thursday night.

That ended a 12-game Fenway slide, two short of the record set in 1926, and an overall four-game losing streak. New York's winning streak ended at eight games, two less than its season best.

"Been awhile, ain't it?" Hobson said.

The Yankees still managed to win three out of four games in the series and are 6-1 against the Red Sox this year.

"We're still in first place," said third baseman Wade Boggs, whose error contributed to the winning rally. "At least we were the last time I looked."

Trailing by 5-3, Hobson sent Otis Nixon and Berryhill up to pinch hit in the eighth.

Nixon led off with a walk and stole second. After Wes Chamberlain grounded out, Scott Cooper was safe on the error by Boggs, who remained in the game after grounding into a double play as a pinch-hitter in the top of the eighth. Nixon stayed at second.

Then Berryhill batted for

Rich Rowland — hitless in three at bats — and drilled a ball to deep center, scoring Nixon and Cooper. Berryhill scored on Lee Tinsley's soft ground out to first baseman Mike Stanley.

Indians 4, Orioles 2: Albert Belle hit his 23rd home run in the bottom of the eighth to give Cleveland a split of its four-game series with Baltimore.

It was the 11th time the Indians have won at Jacobs Field in their last at bat, and the fifth time Belle has won a game with his final swing — four with home runs and one with a two-run single.

Cal Ripken Jr. led off the Baltimore second with his 10th home run, one of his three hits on the night and 10 in the series. The Orioles tied it in the seventh on singles by Leo Gomez, Chris Holmes and Tim Lincecum.

White Sox 3, Royals 2: Frank Thomas hit his 29th homer and Julio Franco went 4-for-4 as Chicago, playing at home, beat Kansas City for its eighth victory in nine games.

Twins 6, Rangers 4: Kirby Puckett's double broke a tie and capped a three-run seventh, as Minnesota, playing at home, averted a sweep of its three-game series against Texas.

The rally off Jose Canseco's 22nd homer, a two-run shot in the top of the seventh that gave Texas a 4-2 lead.

Brewers 9, Blue Jays 2: Bill Wegman ran his record to 6-0 and Turner Ward halted an 0-for-19 slump with a double and triple for three RBIs as host Milwaukee routed slumping Toronto.



Joe Girardi looked at Terry McGriff, Girardi looked safe, he was, he scored, but the Rockies lost to the Cardinals.

A Fiery Proposal to End Red Sox' Jinx

The Associated Press

CRANSTON, Rhode Island — If a New England philanthropist has his way, the Boston Red Sox will open their 1995 season with a bang — by burning the contract that sent Babe Ruth from the Red Sox to the New York Yankees.

Alan Shawn Feinstein, the owner of the original copy of the 1920 contract that shipped the then-Boston pitcher to New York, offered Thursday to give the document to Red Sox management, if they promise to torch it at home plate of Fenway Park next opening day.

The burning of the contract is intended to help the Red Sox end a title drought that has reached epic proportions and has taken on a legendary life of its own.

In the more than seven decades since Red Sox owner Harry Frazee sold Ruth

to the Yankees, New York has won 22 World Series. Boston, which won five titles between 1903 and 1918, has not won one since.

Legend has it that Ruth — who went on to set single-season and career home run records while a Yankee — cursed the Red Sox for trading him.

"The legend of the 'Curse of the Bambino' seems to grow stronger every year," said Feinstein, who purchased the contract for \$99,000 last year.

"No one really believes that Ruth placed a curse on the Red Sox for trading him away," he said. "But the longer the Red Sox go without winning the brass ring, the stronger that disastrous sale weighs on everyone's mind. It seems that every time the Sox come close to winning, something happens to snatch victory away from their grasp."

In 1967, Boston lost Game 7 of the

World Series to the St. Louis Cardinals when manager Dick Williams tried to pitch ace Jim Lonborg on two days' rest.

In 1975, the Red Sox stayed alive against the Cincinnati Reds by winning Game 6 on Carlton Fisk's dramatic 12th-inning home run, but lost Game 7.

And in 1986, Boston was one strike away from wrapping up a six-game World Series victory over the New York Mets when a ground ball went through the legs of first baseman Bill Buckner and gave the Mets a come-from-behind victory. The Mets went on to win Game 7 and the Series.

A spokesman for the Red Sox declined to comment, saying he hadn't received a copy of Feinstein's offer.

Feinstein said he has raised more than \$1 million for charity by distributing copies of the contract in exchange for donations.

Mansell Discovers
Much Has Changed

The Associated Press

MAGNY COURS, France — Nigel Mansell returned to Formula One competition Friday in the opening trials for the French Grand Prix. He found things much slower than before.

He was seventh in the qualifying for Sunday's race with a time of 1 minute, 18.340 seconds, averaging 195.302 kph (121.380).

"I certainly feel there is a lot more left in me and the car," Mansell said. "But the car is a lot more difficult to set up. I haven't got a balance yet."

"I am optimistic we can go a lot quicker."

The last time Mansell raced at the Magny Cours circuit, he set a lap record that still stands, of 1:13.864, an average of 207.1 kph.

In Sunday's race, he will be making a guest appearance for Williams-Renault. After weeks of speculation, the British-French team announced Tuesday that Mansell will be on loan from his Newman-Haas Indy-car team in the United States.

But the cars are different, the rules have been revised. And his two great rivals are gone — Alain Prost retired, Ayrton Senna dead.

"With the changes in regulations you have here, there is no question that these cars are a lot harder to understand," Mansell said.

Michael Schumacher in a Benetton-Ford, who has won five of the first six races this year, gained the provisional pole with a lap of 1 minute, 17.085 seconds, averaging 198.48 kph on the 4.25-kilometer (2.641-mile) circuit.

Second was Gerhard Berger

of Austria in a Ferrari, 1:17.441 while Mansell's Williams-Renault teammate, Damon Hill of Britain, was third, 1:17.559.

Fourth in qualifying was Frenchman Jean Alesi in a Ferrari, in 1:17.855. Martin Brundle of Britain was fifth in 1:18.112 in a McLaren-Peugeot.

"There is no competition between Damon and I this weekend. We are working together," Mansell said. "Damon is completely familiar with all the systems. Tomorrow I will be more optimistic."

The car Mansell is driving for Williams now is radically different from the one he used to win the French Grand Prix in 1992.

In the aftermath of the deaths of Senna and Roland Ratzenberger, Formula One cars have become bigger and slower but more secure. There is no more active suspension or traction control that put most of the driving in a computer rather than the person behind the wheel.

Whatever happens Sunday, Mansell will not drive at the British Grand Prix July 10.

The Williams team announced this week that David Coulthard will be alongside Hill for the race at Silverstone. It will be Coulthard's third race this season since Senna was killed at the San Marino Grand Prix.

Mansell, 40, is noncommittal about coming back for more than one race this season or next year on a full-time basis. He has emphasized he is committed to the Indy-car races for the rest of this season.

Bucs Beat Reds, Now Are Just 5½ Back

The Associated Press

The Pittsburgh Pirates are finally playing like Orlando Merced thought they would — and like hardly anyone else felt they could.

Merced, continuing to excel with runners on base, drove in the go-ahead runs with a two-run double in a four-run eighth inning, and Carlos Garcia twice scored after singling and advancing on errors as the surprising Pirates beat the Cincinnati Reds, 6-4, Thursday night.

It was the Pirates' eighth straight victory at home and the eighth of their last 10 overall. Nine games under .500 only three weeks ago, they are now 38-38, 5½ games behind the first-place Reds.

"If we continue playing like I think we can play, we have a chance," said Merced, hitting .348 with runners in scoring position. "Hopefully, we can make some noise. We've had games where it seems we've lost 10-0 or 20-0, but our confidence is getting better. We're starting to hit like I thought we could hit."

Their home winning streak is their longest since they won 24 straight from Aug. 16-Sept. 29, 1978. Their 54 homers are the fewest in the majors, but Al Martin's two-run shot in the eighth gave them homers in 10 consecutive games, matching their longest streak since a club-record 12 in a row in 1966.

Starter Zane Smith pitched seven shutout innings, but was denied his fifth victory in six

NL ROUNDUP

June decisions when the Reds tied at 2 in the eighth on Barry Larkin's RBI single and Kevin Mitchell's sacrifice fly.

Merced ran his hitting streak to a major league high 15 games — 21-for-61, .344 — and now has six RBIs in his last two games and seven in the last three.

Braves 8, Marlins 3: Kent Mercker stymied Florida for six innings and Ryan Klesko hit a two-run homer first ruled foul as Atlanta won in Miami.

Mercker's first pitch was

drilled by Chuck Carr for a double, but the left-hander retired the next 11 batters, five by strikeout. He was relieved in the seventh after allowing back-to-back hits that yielded the Marlins' second run.

Astros 5, Cubs 3: Pete Harnisch, coming off the disabled list and a partial tear of a right shoulder muscle, held visiting Chicago to three hits in six innings and Luis Gonzalez hit a three-run homer for Houston.

Cardinals 9, Rockies 7: Jose Oquendo entered the game following a bench-clearing scuffle and singled in the go-ahead runs in the seventh as St. Louis, with homers from Geronimo Pena and Mark Whiten, overcame a 6-0 deficit to beat visiting Colorado.

Oquendo came into the game after Pena was ejected in the sixth. He was hit on the hip by reliever Darren Holmes, then charged the mound and tackled Holmes.

Mets 3, Padres 1: Todd Hundley's hit-and-run double scored the go-ahead run in the

eighth in San Diego and rookie Rico Brogna homered for the second straight game as New York ended a five-game losing streak.

Dodgers 4, Phillies 3: Delino DeShields lined a three-run double with one out in the bottom of the ninth, ending Doug Jones' scoreless inning streak at 2½ innings as Los Angeles beat visiting Philadelphia.

The victory gave the Dodgers their biggest lead of the season in the NL West, at 5½ games over Colorado.

Expos 7, Giants 3: Juan Bell hit a two-run homer, Larry Walker homered and drove in two runs, and Montreal handed host San Francisco its ninth loss in the last 12 games.

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Giants' Lewis
Errs, 392 Games
Into the Majors

The Associated Press

SAN FRANCISCO — The Giants' center fielder, Darren Lewis, committed his first error in the major leagues Thursday night, ending a record 392-game streak.

Lewis was given an error in the third inning when a base hit by Montreal's Cliff Floyd skipped under his glove as he charged the rolling ball in shallow center field.

Until then, Lewis had handled 938 chances without a mistake. His streak was the longest ever without an error in the majors and the longest to start a career.

He had last made an error on May 10, 1991, when he was playing at Class AAA Phoenix.

Final Act for Tonya Harding

The Associated Press

COLORADO SPRINGS — The U.S. Figure Skating Association didn't just say goodbye to Tonya Harding. It said good riddance.

In blunt words, the association's disciplinary panel finally passed judgment on Harding's role in the Nancy Kerrigan attack and leveled the harshest penalties in the history of U.S. figure skating.

Harding had shown "a clear disregard for fairness, good sportsmanship and ethical behavior," the panel concluded Thursday after two days of closed-door hearings.

The panel, in a unanimous vote, took away the national championship Harding won in Detroit on Jan. 8 and banned her from membership in the association for life.

It punctuated its long-delayed action by concluding that Harding was in on the scheme to injure her biggest rival, despite her protests to the contrary.

"By a preponderance of the evidence, the panel did conclude that she had prior knowledge and was involved prior to the incident," said William Hybl, the former U.S. Olympic Committee president who presided over the panel.

He said the panel based its conclusion on testimony as well as evidence, much of which was collected by a Portland, Oregon, attorney, John Bennett, who has been working for the association for more than five months.

"I will tell you that various records — bank records, phone records — and the way they came together to establish a case really were important to this panel," Hybl said.

Unlike her attitude just a few months ago, Harding seemed in no mood for a fight.

Neither she nor any of her attorneys attended the hearing that preceded the panel's decision. Her chief attorney, Bob

Weaver, contended that the panel lacked jurisdiction because Harding already had resigned from the association as part of her plea bargain with criminal prosecutors.

He issued a statement on Harding's behalf saying she was disappointed in the panel's action but not surprised.

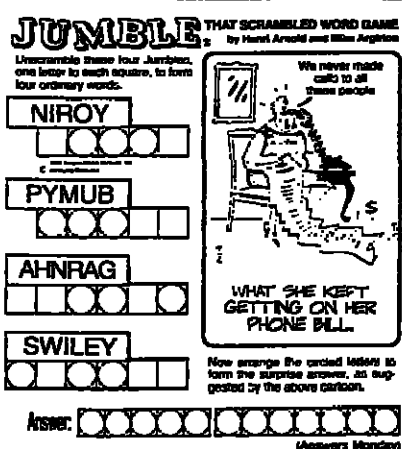
"She can appeal the decision to the executive committee, but that seemed unlikely."

"It's been her decision up to this point not to contest these proceedings, but she's made no final decision on the appeal," Weaver said.

By being banned from the association for life, Harding will be unable to participate in any amateur event or in any pro-am or professional event sanctioned by the USFSA. She also will be unable to serve as a sanctioned coach.

Since Harding's victory at the national championships qualified her for the U.S. Olympic team, the USOC also may take some action against her.

DENNIS THE MENACE

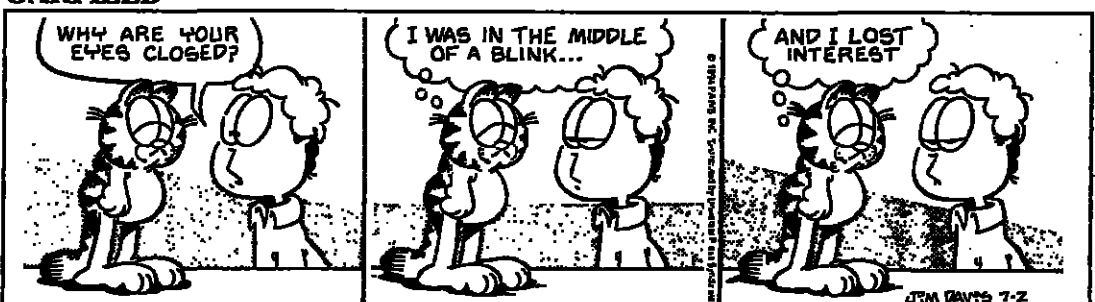


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PEANUTS



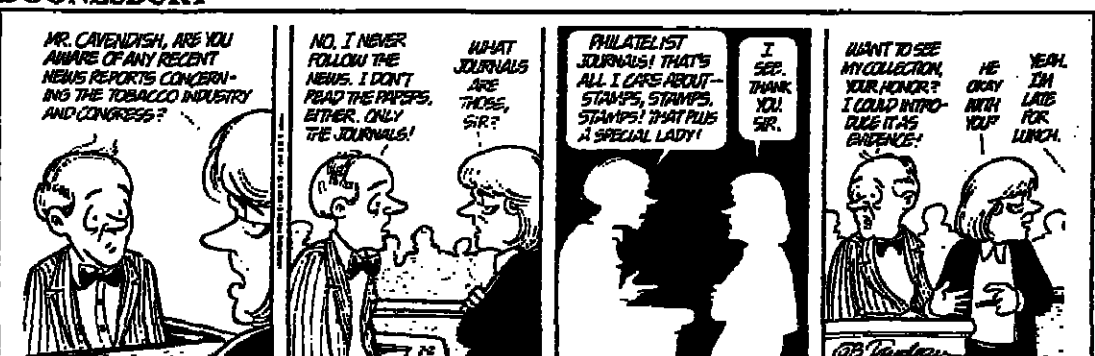
GARFIELD



BEETLE BAILEY



DOONESBURY



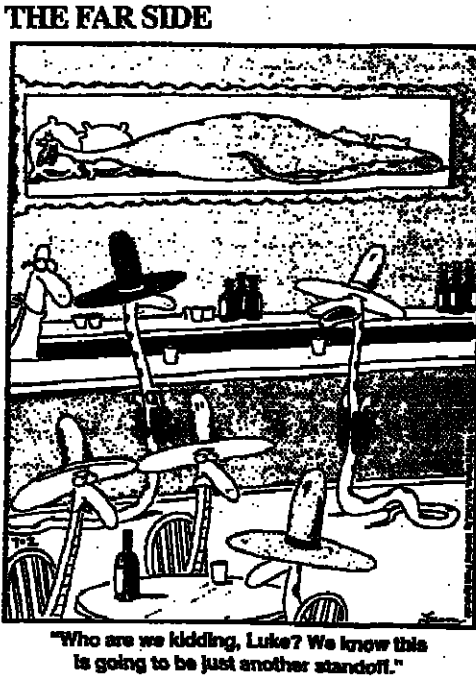
CALVIN AND HOBBS



WIZARD of ID



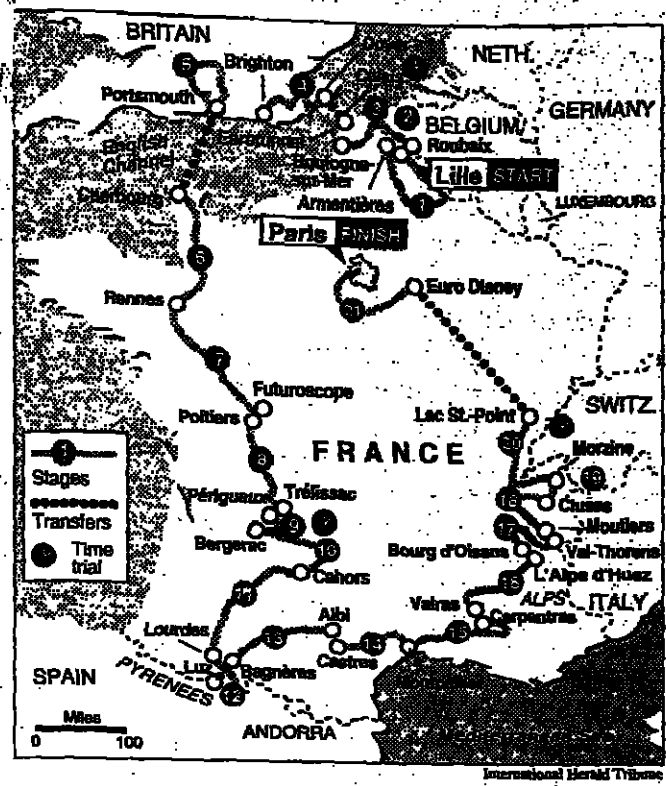
THE FAR SIDE



BLONDIE



SPORTS



Sampras and Ivanisevic Power Into the Final

By Leonard Shapiro

WIMBLEDON, England — There was not much splendor on the grass Friday on Wimbledon's Centre Court. Mostly, it was yawn-on-the-lawn, serve-and-volley tennis, as Pete Sampras and Goran Ivanisevic used aces in all the right places to polish off their two outclassed semifinal foes and advance to the final on Sunday.

he managed to get only 55 percent of his first serves in, almost everything else was working in his favor in a 6-4, 6-4, 3-6, 6-3 triumph over his fellow American Todd Martin.

ing to Andre Agassi in 1992. On Friday, he hit 63 percent of his first serves in and Becker also had problems with the high-kicking second.

The count would have been much higher had he not been playing Martin, who's wide wing span at least allowed him to get his racket on some of the rocket shots coming his way.

match, and nothing made any difference in my performance today. I don't think it's anyone's business but your own."

next three points and took the set on an ace.

When Tour de France Arrives, It May Be Briton's Finest Hour

By Samuel Abt

International Herald Tribune

LILLE, France — When the Tour de France begins Saturday, Chris Boardman has a chance to become a national hero, the toast of his native England.

"I can see the opportunity," he said, "it's definitely there. This would be a very, very big thing at home."

Nevertheless, he insisted Friday, he is not excited. What's there to get excited about? Certainly he is not at all excited.

"Apprehensive, I believe, is the word," he said thoughtfully. "Excited, no."

Perhaps he will be excited if, as is highly possible, he wins the short prologue to the world's greatest bicycle race. "Perhaps then I'll be excited," he conceded.

This is the dull scenario outlined for Boardman by officials of his team. He wins the prologue, stays atop the standings through the first three daily stages in France and then arrives in England for two stages there as the leader of the Tour de France.

Britons to star in any sport at the international level.

His training was intensified last July when he broke the world record for the one-hour ride on the track at Bordeaux on the day the Tour arrived in the same city. His feat dominated the next day's editions of L'Equipe, the daily French sports newspaper.

A few months later Boardman was signed to a professional contract by France's Gan team, hitherto led by Greg LeMond, the winning American star and winner of three Tours de France. LeMond is in Lille now as part of the Gan team but no longer its leader. That role is being filled by Boardman.

"He's a star now," Gan's assistant coach, Serge Beucherie, said this week. "He's comfortable in the mountains, he's found his place. He had experience only on the road and now he's at..."

Beucherie paused, then concluded: "He's at where he is now."

"I've been a professional for just seven months," he pointed out. "I mean that about being at this Tour de France for the experience. There will be other Tours for me, I assume. But I'm under no illusions this isn't the most difficult thing I've ever done."

The pressure, he continued, is lower at the start of the three-week Tour than it was when he was trying to break Francesco Moser's nine-year record for the hour's solitary ride against the clock.

"I could take second place in the prologue and be satisfied," Boardman said. "In the hour, there is no second place. So the only pressure I'm feeling is from myself."

Although he has been ailing somewhat for the last eight weeks with a chest infection, he said it had not hampered his performance.

"I'm going very well," he said. "My red cell count has dropped, which reduces the supply of oxygen to his muscles, but I'm at 95 percent of my peak. Still, that does mean I'm lacking the 5 percent."



Goran Ivanisevic, left above, having overpowered three-time champion Boris Becker, 6-2, 7-6 (8-6), 6-4, marched triumphantly into his second Wimbledon final, where on Sunday he will meet Pete Sampras, left, who lost his first set of the tournament but still outplayed Todd Martin, 6-4, 6-4, 3-6, 6-3, to gain his sixth Grand Slam tournament final.

Goran Ivanisevic, left above, having overpowered three-time champion Boris Becker, 6-2, 7-6 (8-6), 6-4, marched triumphantly into his second Wimbledon final, where on Sunday he will meet Pete Sampras, left, who lost his first set of the tournament but still outplayed Todd Martin, 6-4, 6-4, 3-6, 6-3, to gain his sixth Grand Slam tournament final.

Match Results

MEN'S SINGLES SEMIFINALS
Goran Ivanisevic (10, Croatia) def. Boris Becker (7, Germany), 6-2, 7-6 (8-6), 6-4, 6-4, 3-6, 6-3.
Pete Sampras (11, U.S.) def. Todd Martin (1, U.S.), 6-4, 6-4, 3-6, 6-3.

SCOREBOARD

BASEBALL

Major League Standings

AMERICAN LEAGUE	East Division	West Division
New York	91	87
Baltimore	80	78
Seattle	78	76
Detroit	76	74
Toronto	74	72
Cleveland	72	70
Chicago	70	68
Minnesota	68	66
Kansas City	66	64
Los Angeles	64	62
San Francisco	62	60
Oakland	60	58

Thursday's Line Scores

AMERICAN LEAGUE	East Division	West Division
Seattle	9	8
Baltimore	8	7
San Francisco	7	6
Los Angeles	6	5
Minnesota	5	4
Chicago	4	3
Detroit	3	2
Toronto	2	1
Cleveland	1	0
Kansas City	0	0

TRANSACTIONS

BASEBALL

AMERICAN LEAGUE
Pittsburgh—Acquired Garrett Stephenson, pitcher, from Boston.
Boston—Acquired Mike Timlin, pitcher, from Pittsburgh.
Chicago—Acquired Greg Maddux, pitcher, from Los Angeles.
Los Angeles—Acquired Tim Lincecum, pitcher, from Seattle.
San Francisco—Acquired Tim Lincecum, pitcher, from Seattle.
Oakland—Acquired Tim Lincecum, pitcher, from Seattle.

CRICKET

THIRD TEST

England vs. New Zealand, first day, Thursday, in Manchester.
England first innings: 194 (10 overs).

OLASÁBAL, ALLENBY TIED FOR LEAD IN IRISH OPEN

Agence France-Press

THOMASTOWN, Ireland — Masters champion José María Olazábal, moving into contention for a fourth victory this season, and Robert Allenby of Australia shared the lead Friday in the Irish Open after both shot a second straight 68.

JORDAN WITH BULLS? IN BRONZE ONLY

The Associated Press

CHICAGO — The Chicago Bulls will pay tribute to Michael Jordan by retiring his number, 23, and unveiling a bronze statue of him during a ceremony Nov. 1 at the United Center.

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SPORTS WORLD CUP

Fear? For U.S., as Unfamiliar as Brazil

MISSION VIEJO, California — Team USA is preparing for the greatest upset, the most fantastic result in World Cup history. Its weapon? Gaucheness.

"If you don't know the hoopla behind a guy, he's just another person, an opponent you can beat," said Mike Sorber, one of the all-American players on a U.S. team of multinationals. "I know who Pelé is, but these guys Romário, Bebeto, Rai... I never came up against them before."

He will on Monday. It is the Fourth of July, Independence Day in the United States, and the host team meets the tournament favorite, Brazil, in Stanford Stadium, near San Francisco.

There will be fireworks. The stadium management guarantees it. Whether there is going to be a great shock is another matter, because Brazil has shown a class and a style beyond any of the other 24 competing nations and Brazil's players believe they are just warming up.

One way or the other, Monday will be a turning point in this World Cup. So far, those who said soccer was an un-American game, that we were wasting our time bringing the tournament and its attendant loquacious to the land of the free, have had to eat cold turkey.

The parties have been magnificent. The police in Orlando, Florida, have put away their water cannon and joined in street revelry often involving thousands until the early hours.

The price to pay has so far amounted to \$60, the price of three police hats gone missing after their owners joined the dancing. The Orlando police chief, Charlie Wright, is less than concerned, for, while players have run through heat exhaustion on blistered feet, his men have not had to make a single arrest.

"And it's not because we're looking the other way," said Wright. "The most trouble his officers had to face was at a bar that had been taken over by Irish revelers."

"It was closing time, but the Irish didn't want to leave," said Wright. "They, um, gently put the owner and assistant manager outside, poured their own beers, and left the money. They dispersed real quietly when officers arrived."

There was the essence of World Cup 1994. A sport that, it was feared, would attract catastrophe has

opened the hearts and minds of people from the Netherlands and Belgium (supposedly sworn enemies), from Ireland and Mexico, even from Saudi Arabia, which has become the first team from the Middle East or Asia to reach the second round since North Korea in 1966.

And among this throng, the ethnic Americans, the Hispanics and Africans who have waited a lifetime in their adopted homeland for soccer to arrive. Maybe it is just passing through, maybe three weeks from now the grass will be uprooted and the plastic relaid. But remember this: Television, the instrument of American lifestyle, has recorded a 7.8 rating for soccer, higher by the score of three than Wimbledon tennis.

Sure, this was swelled by patriotism and curiosity, by folks watching the U.S. team go against Romania. The test will be whether America turns off when its team is sent out — probably on Monday.

But there I go again, underestimating the underdog in a tournament that already has sprung surprises. Coach Bora Milutinovic, a tall man who has raised two nations, Mexico and Costa Rica, to historic World Cup placings in 1986 and 1990, works on the theory that soccer is a mental game. What you don't know, you can't fear.

Team America is made up of rookies who don't acknowledge the prowess of Brazilian players. I can't wait to see Alexi Lalas, the gawky, red-bearded, guitar-playing American defender, up against Romário, the smallest, quickest, most cunning predator in soccer.

But what's important is how Lalas sees it. To find out, you step in line behind entrepreneurs putting sponsorship offers to the guy they say is such a zany personality that Americans under 20 can't ignore him.

"Well," said Lalas, referring to the Brazil-Sweden match, "when I was watching the match the other night, I was kinda saying I want to play Brazil. I want to play what in the world's eyes is the best team. If we're gonna make a show, we want to make it spectacular."

Yes, sir! Bring on those samba players! Get Team America up and at 'em.

Seriously, it is a major happening for a guy like Lalas to face thoroughbreds from soccer's land of plenty. Milutinovic rates his spindly center-back better than anyone else reckons him, and, with Marcelo Balboa at Lalas's side, the solidity of the U.S. defense is appreciably more reliable than many had expected.

Balboa is a running miracle, a player about to break the U.S. record of 93 caps, who is back after major knee surgery over the past 18 months. The U.S. captain, Tony Meola, a goalkeeper yet to prove whether he is acrobat or poser, took Balboa aside before his first match and told him: "Marcelo, you're the key. You have to keep the defense organized."

Balboa's performance against Colombia was described by his fellow defender Paul Caligiuri as "like a man possessed."

"He did everything possible with every part of his anatomy to get the job done," he added.

Organization — teamwork — is America's strength and its weakness. No other side in this tournament has shown more collective resolve, more determination from the midfield to work back and forth in support first of defense, and then attack.

However, that soldierly effort makes the team predictable, and Brazil ought to outmaneuver and outwit that predictability. If and when it does, we shall see whether Brazil has caught the American imagination sufficiently to sustain a World Cup without host participation. The job has already begun.

Brazilians have been colonizing part of Silicon Valley in California for almost a month. The team set up camp there, brought samba and topless women and beautiful, Brazilian soccer. And the quiet Americans of that technological region became attracted — not necessarily in the order of samba, women and soccer.

IT WOULD be naive to suggest that Californians can be colonized by even Brazilian sport. But something is happening, and not just to Americans.

Across the water in Haiti, the ruling junta siphoned off \$150,000 from government funds to secure TV rights to the World Cup. The old theory is afoot that you can quiet a populace in fear and insecurity through the opiate of soccer.

Haitians are Brazilian fans. But it would be stretching a point — disingenuous to an insensitive degree — to think that the hundreds attempting to leave Port-au-Prince for the United States are going there for the soccer. The truth is that sport is once again a comparative irrelevance where life is at stake.

Rob Hughes is on the staff of The Times.



Brazil's Ronaldo found it wasn't child's play to retrieve a ball from a boy during practice.

Spain Hopes Tux Fits Against Swiss

By Steven Goff
Washington Post Service

WASHINGTON — No one knows what to expect from Spain in Saturday's second-round match here against Switzerland.

Cup history suggests that Spain belongs in the second round and that it certainly is capable of moving on to the quarterfinals. But its inconsistent performance in this year's tournament makes for an unpredictable forecast.

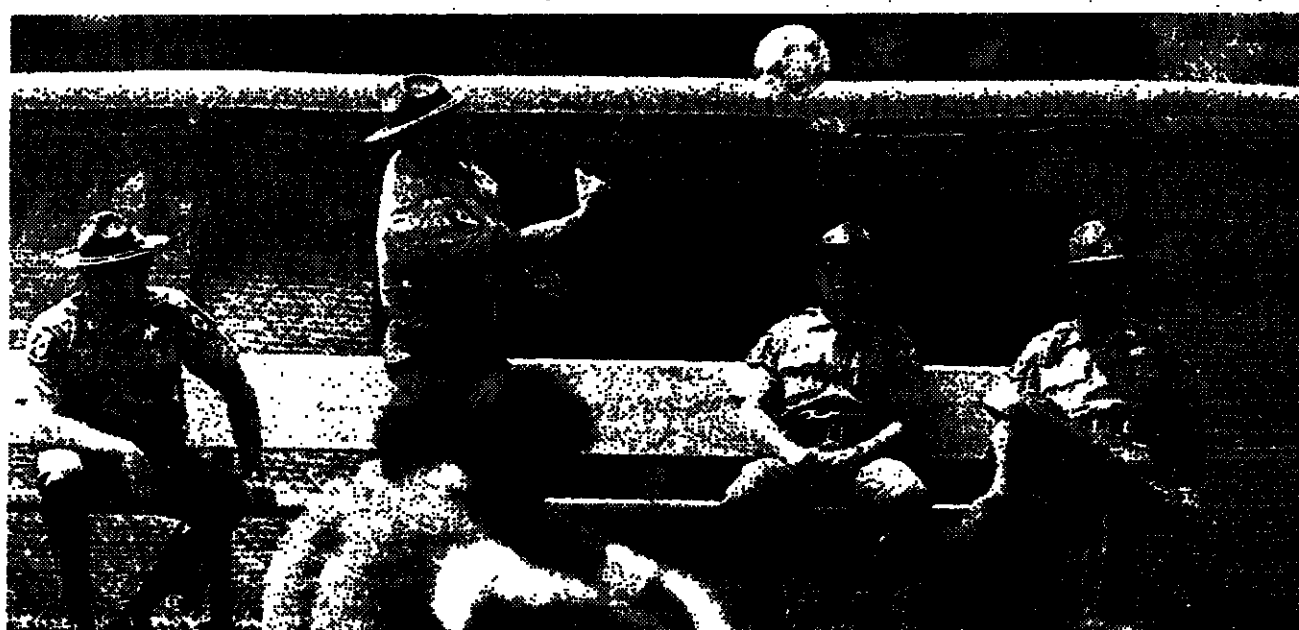
As the country's minister of sport, Rafael Cortes Elvira, said a few days ago in Chicago: "Sometimes our team wears a tuxedo and sometimes our team wears work clothes. I hope we are wearing a tuxedo in Washington."

In the opener against underdog South Korea, the tuxedo fit well for 84 minutes as Spain, despite being down a player because of a red card, grabbed a 2-0 lead. The wardrobe then changed without warning as the

Koreans scored twice for an improbable tie. In the next match, against defending champion Germany, Spain played well from start to finish and got a 1-1 draw. And on Monday, needing a victory to seal a ticket to the second round, the Spaniards started slowly against suspension-plagued Bolivia before taking charge in the second half and winning, 3-1.

The hero of that game was José Luis Pérez Camarero, a midfielder who scored twice in a five-minute span. But with this team, nothing is that simple. In the closing moments, Camarero committed a foolish foul that resulted in a yellow card — his second of the first round, which means he can't play on Saturday.

Both teams will have injury worries on Saturday. Switzerland's standout midfielder, Alain Suter, has been playing with a broken toe. Midfielder Fernando Hierro and defender Rafael Alkorta are uncertain for Spain.



Illinois state troopers got a workout with Spain at a practice in Lisle, Illinois. Spain plays Switzerland on Saturday.

Switzerland looked drained in losing its last first-round game, 2-0, to Colombia. But the Swiss have had one more rest day than the Spaniards.

In Spain, where soccer dominates the sporting scene, the

players and coaches are feeling the pressure to succeed in this World Cup after years of unfulfilled expectations. In 1990, Spain lost in the second round to Yugoslavia. In 1986, it advanced to the quarterfinals before losing to Belgium in a pen-

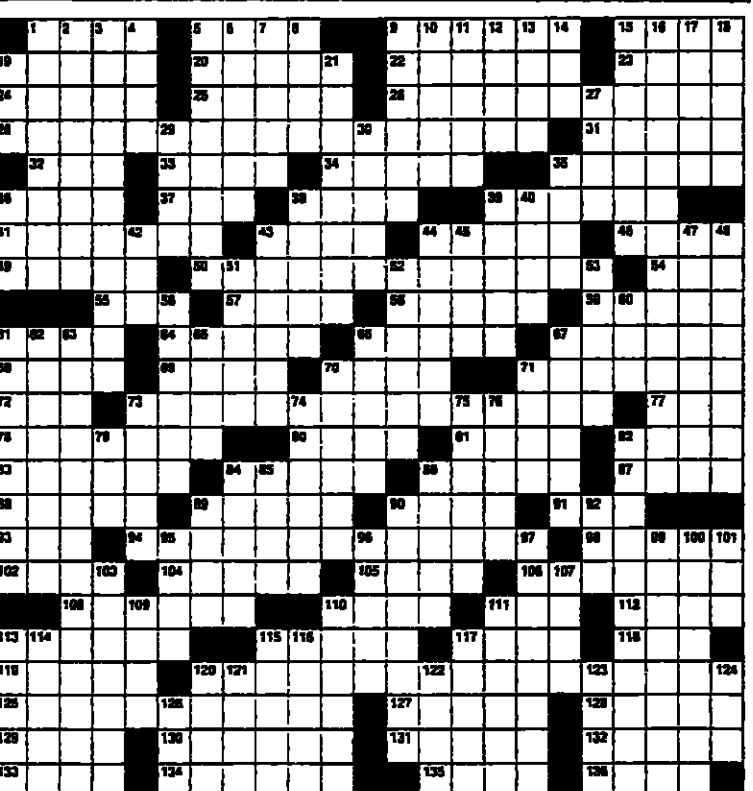
alty-kick tiebreaker. In 1982, as the host, it suffered an embarrassing first-round loss to Northern Ireland and then was ousted in the second round.

"This team is sort of a 'Dream Team,'" Elvira said, "and the expectations are very high. May-

be this is the year that Spanish football surprises the world." The defense will receive a boost with the return of Miguel Angel Nadal, the sweeper and captain, who missed the past two games because of a red card against South Korea.

OVERCROWDING By A. J. Santora

- ACROSS
- 500, e.g.
 - Hubby, in Paris
 - Mountain in Turkey
 - Rifle peephole
 - 21 or over, liquorwise
 - Revises
 - Dress part
 - Mr. Penzler of mystery fiction
 - Actress Massey
 - Leave
 - Newsman in the Sahara?
 - Canal Zone film favorites?
 - Answer to "Who's there?"
 - Thrice a day, on prescriptions: Abbr.
 - Nastase of tennis
 - Oscar nominee for "Exodus"
 - Appointments
 - TV's "Z"
 - Scale syllables
 - Fuzz
 - "Silkwood" actress
 - It was first conquered in 1993
 - Used up
 - Dart
 - Ink
 - Harass
 - Actor who craved goulash?
 - Boxing legend
 - Holds
 - Winter air



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Solution to Puzzle of June 25-26

- DOWN
- Proportionate
 - Struggles (over)
 - The Country Girl? up north:
 - Susa's country
 - Building block
 - Hunk
 - Janeiro
 - Live (enjoy the good life)
 - Without
 - Way to go
 - Supplement
 - Iran money
 - Benzo
 - peroxide target
 - Artist Gerard — Borch

- ACROSS
- Carboys
 - Singer/actress in Africa?
 - 1946 Bikini event
 - L.B.J., chronicler
 - Hakeem Olajuwon, e.g.
 - Flicks
 - Novelist Tyler
 - "God is —": Fuller
 - Ember
 - Protein in Wheaties
 - 1964 Lorne Greene song hit
 - you know the mufin man? (children's lyric)
 - Reluctant flier at home?
 - Bugs and Buddy
 - master
 - Gold braid
 - Artist/author Silverstein
 - Dramatic fashion look
 - Long fish
 - Sultanas' rooms
 - Red Cross hero
 - Dubai leaders
 - Handcuff, in slang
 - Asiatic Turkey
 - Two-handed hoop attempts
 - Double twist
 - Browning works
 - Come back
 - People of interest?
 - 1976 rebellion site
 - Sink
 - The End
 - Hillside
 - Trise
 - Enliven
 - Muffled
 - Superior ones?
 - Final Four org.
 - Washington power p.p.
 - Ingenue
 - Inclined (10)

Absent Offenders May Have Key Role

Compiled by Our Staff From Dispatches

LOS ANGELES — Bookings and expulsions could prove decisive as the World Cup moves into the second round, with a pair of heroes who scored twice for their teams, Florin Raducioiu of Romania and José Luis Pérez Camarero of Spain, among those who will be out of action.

The United States, playing in the second round for the first time since 1930, will have to take on Brazil without the midfielder John Harkes, who got his second yellow card in the final Group A game, a 1-0 loss to Romania.

Harkes' second-round suspension took the U.S. team by surprise, since they were under the impression that first-round bookings would not be carried over into the next round.

The confusion stemmed from a new FIFA directive that single yellow cards would be erased. In fact, any penalties resulting in match bans apply throughout the tournament.

While U.S. soccer officials lodged a half-hearted appeal, the defender Alexi Lalas admitted that the confusion among the Americans was nothing but an embarrassment.

At least Raducioiu had known the consequences of his second booking.

"Yes, I knew the rules," he said. "When it happened, I regretted it, but we're optimistic."

Sunday Olisei, at 19 the youngest player on the Nigerian team, escaped a ban when FIFA overturned the yellow card handed out to him by the Swedish referee Bo Karlsson in a case of mistaken identity.

Olisei was booked in Nigeria's second match, against Argentina, but that single caution was erased with the start of the second round.

Perhaps the hardest hit will be Bulgaria, which lost Tzanko Tsvetanov to a red card in its final first-round match, along with three other players who picked up their second yellow cards.

Italy's top goalkeeper, Gianluca Pagliuca, still has one match to go in a two-match suspension resulting from his red card in the 1-0 victory over Norway.

Joaquín del Olmo of Mexico and Jan Wouters of the Netherlands will also miss their first second-round games after getting two cautions.

Miguel Angel Nadal of Spain, sent off in the opening 2-2 draw with South Korea, will be back after a two-match ban.

Ireland's Denis Irwin and Terry Egan, Sweden's Martin Dahlin and Saudi Arabia's Foad Amin will also return after having missed their final first-round matches.

The midfielders Ion Vladioiu of Romania and Stefan Effenberg of Germany both would have been banned from the second round, but their federations sent them home for obnoxious behavior.

Russia did the same thing to the striker Sergei Yuran after he had a dispute with the coach, Pavel Saduyin. But Yuran will soon be followed home by the rest of his team, which finished third in Group B and did not qualify for the second round.

• The referees for the first four second-round matches were named Friday: Germany vs. Belgium, Kurt Roethlisberger, Switzerland; Spain vs. Switzerland, Mario van der Ende, Netherlands; Saudi Arabia vs. Sweden, Renato Marsiglia, Brazil; Romania vs. Argentina, Pier-Luigi Pairetto, Italy.

(AFP, Reuters)

SCHEDULE AND RESULTS

FIRST ROUND

Advanced to second round

Three points awarded for a victory

GROUP A

	W	L	T	GF	GA	Pts
U.S.	2	1	0	5	3	6
Switzerland	1	1	3	5	4	4
U.S.	1	1	3	3	4	4
Colombia	0	2	2	4	6	3

Saturday June 18

Switzerland, 1, United States 3, 1st	At Pasadena, Calif.
Romania 3, Colombia 1	At Pasadena, Calif.

Wednesday June 22

Switzerland 4, Romania 1	At Pasadena, Calif.
United States 3, Colombia 1	At Pasadena, Calif.

Sunday June 26

Romania 1, United States 2	At Pasadena, Calif.
Romania 1, United States 2	At Pasadena, Calif.

Colombia 2, Switzerland 0	At Pasadena, Calif.
---------------------------	---------------------

GROUP B

	W	L	T	GF	GA	Pts
U.S.	2	0	1	6	7	5
Sweden	1	0	2	6	4	4
Sweden	1	2	0	7	8	3
Cameroun	0	1	3	11	1	1

Sunday June 18

Cameroun 3, Sweden 3, 1st	At Pasadena, Calif.
Cameroun 3, Sweden 3, 1st	At Pasadena, Calif.

Monday June 20

Sweden 2, Romania 1	At Pasadena, Calif.
Sweden 2, Romania 1	At Pasadena, Calif.

Friday June 24

Sweden 3, Cameroon 0	At Pasadena, Calif.
Sweden 3, Cameroon 0	At Pasadena, Calif.

Tuesday June 28

Romania 3, Cameroon 1	At Pasadena, Calif.
Romania 3, Cameroon 1	At Pasadena, Calif.

Romania 1, Sweden 1, 1st	At Pasadena, Calif.
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GROUP C

	W	L	T	GF	GA	Pts
Germany	2	0	1	5	3	5
South Korea	1	0	2	4	5	4
South Korea	0	1	2	4	5	3
South Korea	0	1	2	4	5	3

Friday June 17

Germany 1, Bolivia 0	At Dallas
Germany 1, Bolivia 0	At Dallas

Spain 2, South Korea 3, 1st	At Dallas
Spain 2, South Korea 3, 1st	At Dallas

Monday June 21

Germany 1, Spain 1, 1st	At Dallas
Germany 1, Spain 1, 1st	At Dallas

Thursday June 25

Spain 2, South Korea 3, 1st	At Dallas
Spain 2, South Korea 3, 1st	At Dallas

Monday June 27

Spain 3, Bolivia 1	At Dallas
Spain 3, Bolivia 1	At Dallas

Germany 3, South Korea 2	At Dallas
Germany 3, South Korea 2	At Dallas

GROUP D

	W	L	T	GF	GA	Pts
Nigeria	2	1	0	6	3	4
Nigeria	2	1	0	6	3	4
Nigeria	2	1	0	6	3	4
Nigeria	2	1	0	6	3	4

Tuesday June 19

Nigeria 4, Greece 0	At Pasadena, Calif.
Nigeria 4, Greece 0	At Pasadena, Calif.

Saturday June 25

Nigeria 3, Bulgaria 0	At Pasadena, Calif.
Nigeria 3, Bulgaria 0	At Pasadena, Calif.

Monday June 28

Bulgaria 4, Greece 0	At Pasadena, Calif.
Bulgaria 4, Greece 0	At Pasadena, Calif.

Thursday June 30

Nigeria 2, Greece 0	At Pasadena, Calif.
Nigeria 2, Greece 0	At Pasadena, Calif.

Bulgaria 2, Argentina 0	At Dallas
Bulgaria 2, Argentina 0	At Dallas

GROUP E

	W	L	T	GF	GA	Pts
Mexico	1	1	1	3	4	4
Indonesia	1	1	1	2	4	4
Italy	1	1	1	2	4	4
Norway	1	1	1	2	4	4

Saturday June 18

Indonesia 1, Mexico 1	At East Rutherford, N.J.
Indonesia 1, Mexico 1	At East Rutherford, N.J.

Sunday June 19

Norway 1, Mexico 0	At Washington
Norway 1, Mexico 0	At Washington

Monday June 20

Mexico 2, Norway 0	At East Rutherford, N.J.
Mexico 2, Norway 0	At East Rutherford, N.J.

Friday June 24

Italy 1, Norway 0	At East Rutherford, N.J.
Italy 1, Norway 0	At East Rutherford, N.J.

Monday June 28

Italy 1, Mexico 1	At East Rutherford, N.J.
Italy 1, Mexico 1	At East Rutherford, N.J.

Friday June 30

Italy 1, Mexico 1	At East Rutherford, N.J.
Italy 1, Mexico 1	At East Rutherford, N.J.

Monday June 3

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SPORTS WORLD CUP

Despite a Fallen Hero, It's No Greek Tragedy for Fairy-Tale Nigerians

International Herald Tribune

FOXBORO, Massachusetts—Clemens Westerhof found the Nigerians talking about Maradona in their locker room. Maradona being yesterday's news — they'd played and lost to him in what should have been his last game — and the Nigerians being his players, the coach was not overly pleased. They still had to beat the Greeks.

"I'm always sad when something happens like this," Westerhof said. "I'm not happy, I will tell you. I pray that dear God may bless him."

Westerhof coaches a team that had never played in a World Cup final before. Then last Saturday went up against the greatest player of his generation — and then, Thursday, confusingly, realized it likely would never see him on the field again. Just when the Nigerians were trying to make it big in Maradona's world, their idol had vanished before their eyes.

"There are a lot of players on the team who look up to him, but I'm the No. 1," said the 20-year-old defender, Sunday Oliseh. "I must have videocassettes just of him at my home. I have a poster of him on the wall. After Pelé, he's next. When I thought about it, we have to look at this

from a realistic point of view. He played the way he played because he wanted results. He wanted to be on top of the group. That's what we have to do, too."

The Nigerians had come here last Saturday and lost the leadership of their Group D to Argentina by the score of 2-1. Afterward, Maradona called them thugs and they, embarrassed, called him a ham actor. They had played hard, and he had manipulated them. As they looked back on it now, they had been arguing with the referee when Argentina scored the last two goals of the match.

What happens when you meet a childhood hero for the first time? It is impossible to be yourself. You are studying him and wondering whether you are making the slightest reciprocal impact on him. They went into the game to win but somehow the 33-year-old Maradona, who can't run anymore, who would rather trip and beat the whistle than try to beat an opponent in ways that are no longer possible for him, who lost all that weight in so little time — Maradona somehow became the center of everything they were trying to do.

They were just now mad enough to oppose him properly — honestly — and now he was gone.

"They were in the dressing room talking about Maradona," Westerhof said. "It was not an atmosphere normal for a match like this. I made some confusion in the dressing

room. I changed it. I did something, it's between the boys and me."

Did he yell?

"The area between the boys and where I am in the dressing room is not big enough to yell," he said.

The winless, scoreless Greeks came out playing as if they didn't want to go home. Ultimately they lacked the self-belief to finish: Their best chance, a point-blank shot in the 12th minute, trickled off the foot of Panagiotis Tsalouchidis slowly enough for the goalkeeper, Peter Ruffai, to crawl across and fall on the ball.

From then on the Nigerians had the better of it, slightly, though they didn't break through until the 42d minute, when they scored the ball out of their corner and built up majestically, as if the defending Greeks were orange cones in a practice drill. Emmanuel Amunike's shot rebounded to the Greek defender Yiannis Kalitakis, who moments later was earning a yellow card for arguing the decision that he had back-passed to his fallen goalkeeper, which he definitely had. It made for an indirect kick from the left corner of the box. The ball was tapped to Rasheed Yekini, who took one step and boomed it over the in-rushing wall of Greeks as well as the cross bar. In this American football stadium, it looked exactly like a field goal.

The Greeks were looking forward to congratulating themselves in the locker room, hoping that the pressure would inundate the

Africans — when, in injury time, Amunike burst through midfield and found George Finidi alone on the right. The goalkeeper, Christos Karkamanis, lost any appetite he might have had for diving at Finidi's feet when he saw Kalitakis come slide-tackling in. Finidi chipped the ball over both of them to give Nigeria the 1-0 lead.

Half-time was when Westerhof gave the Nigerians their biggest lecture. He offered them his bonus money if they won by 5-0. (He knew they couldn't.) He made substitutions — even withdrawing the star, Yekini — in the second half, but the Greeks showed more resolve than they had in the first two games combined. They created several chances that satisfied their local, vocal community at last.

Back and forth this game went, with the TV monitors in the press area tuned in silently to Argentina's game in Dallas against Bulgaria, and you found you could not help thinking about Maradona. It was almost as if he had died. The Greeks were thrashing about trying to score their first goal for no greater purpose, and the oncedynamic Argentines were losing to the Bulgarians, and it was as if the intensity had vanished and the center was gone. The core of this group was hollow.

A player like Maradona deserves a retirement, a going out, no matter how much you might dislike him, and many do. He shouldn't just be snatched out of the game. It was stupid, what he had done, and not

worthy of his contributions. Even if he were injured permanently it would not have ended like this. It really was like he had taken his own life — and it would be ridiculous to say so about any athlete other than him. He really does seem ignorant of everything except this game, and he didn't even understand that until the game almost was beyond him. Then he took those pills to lose weight — at least you hope that's why he took them, but with him you never know — and it was as if the hired killer had choked on a salt-water taffy.

The TV screens all jumped at once to a close-up of a celebrating Bulgarian. The score was 2-0 for them now. On the field, Westerhof had a phone line open to Dallas. The score came in late and he stood up and told his players they needed another goal. Badly. Set, he understood that they were still playing against Maradona.

The defender Mile Ernanolo came near the bench and Westerhof yelled to him. "Score for God's sake that goal, and then we're No. 1."

If only it always happened like this. The forward Daniel Amokachi carried the next pass as if it were a message from the general. Outside the box, he turned around three defenders and, pivoting, swung the entire right half of himself into the ball.

Later, from the camera behind goal, it would resemble the lone and final goal scored by Maradona in this tournament.

against the same team, an unspinning, sizzling, cannon shot scaring the posts in the upper corner.

Word began to spread among the Nigerians and then the whistle was blown and they were all landing on atop each other. Two goals, each in injury time, had shot Nigeria to the top of Group D. Argentina, because of its loss to Bulgaria, had plummeted to third behind the Bulgarians. After all the qualifiers and disputes within the Nigerian federation over player monies and the humiliating loss before Maradona — then one minute at the end of the final game keeps them from having to fly across 3,000 miles (4,800 kilometers) and three time zones to Los Angeles as the third-place team. The Nigerians get to stay here against wing-clipped Italy, while the long flight west was now reserved for Argentina without Maradona.

And what of Maradona?

"It is a slap in the face of football," Westerhof decided finally, when asked a second time. "Football is governed by rules. What he has done is not in the rules."

"I was disappointed," agreed the idolator, Oliseh. "Ashamed, really. I was thinking by now he would have changed."

They learned something from Maradona. They were the last team to play against him and now they were taking over in his place. They weren't going to be playing Maradona ever again.



In injury time, Daniel Amokachi slammed a shot between two Greeks to score Nigeria's second goal in Foxboro, Massachusetts. In Dallas, Hristo Stoichkov, right, celebrated after scoring the first of Bulgaria's two goals against Argentina.



Diego Maradona, swamped by reporters, said FIFA had "condemned" him without "letting me defend myself."

Maradona: 'My Soul Is Broken'

Compiled by Our Staff From Dispatches
BOSTON — Diego Maradona arrived here Friday morning on a flight from Dallas, to be met at the airport by his wife and a few friends the day after his banishment from the World Cup.

As they left for an unknown destination, with the Maradonas reportedly en route back to Argentina, the national team was flying to Los Angeles to prepare its second-round match against Romania on Sunday.

Argentine delegation officials had requested that the team's flight number and hotel arrangements be kept secret so that it could prepare for the match in peace.

Maradona had emerged from the seclusion of his hotel room Thursday night in Dallas to deny that he had taken performance-enhancing drugs and assuage FIFA, soccer's governing body.

"I never took any substance that has drugs in it," he said.

FIFA's medical officials also stressed that they had been unable to find a medicine that contains all five of those drugs, which seemed to rule out his having taken them accidentally as part of a cold or allergy remedy.

"We suppose it must be a cocktail," said Dr. Michel d'Hooghe of Belgium, a member of FIFA's executive committee.

"Some of the five banned substances are used in weight-reduction medication," he added.

At an impromptu news conference in the hotel, Maradona said, "I told those people who condemned me without letting me defend myself that they did not only take away the happiness of Maradona, but of many people who love me."

"I suffered a lot alone in my room," he added. "I promised my daughters I wouldn't cry and I won't cry."

Then, in an Argentine television interview, aired shortly before the Argentina-Bulgaria match Thursday, he said, "They cut my legs off when I had a chance to recover."

"I don't know, maybe we

were careless," he said. "But I swear I did not drug myself to play. With my abilities, I don't need to drug myself."

"I thought the rancor against Maradona had ceased," he said. "But I now see it has not and it makes my soul ache."

To whom was he referring?

"FIFA," he said.

The decision to remove Maradona from the tournament was technically made by the Argentine soccer federation, which apparently spared itself any further sanctions with the action. FIFA said it would reserve a decision on further punishment of Maradona until after the World Cup ends July 17.

"They have retired me from soccer," Maradona said. "I don't think I want another revenge, my soul is broken."

But at the Cotton Bowl before the match, Marichu Apoloni, who came with her family from Venezuela, was simmering in the hot Texas sun. "I just can't stand it how just one player makes an entire country look bad," she said angrily.

In Argentina, the public's initial anger had dissolved into a sea of sympathy for Maradona, and people were spinning end-

less theories as to why Maradona had wrecked his career and their team's chances.

"This is a day of mourning for the nation," said Federico Storani, a legislator and a likely presidential candidate for the opposition Radical Civic Union.

"I absolutely believe in Maradona's good faith," he said. "What happened isn't his fault, because he doesn't have any technical understanding of medicines."

Some commentators decried Argentina's chronic inability to stick to the rules.

"We Argentines break the rules; it's a way of life," said Bernardo Neustadt, a prominent journalist and a friend of President Carlos Saul Menem.

But conspiracy theories abounded.

"A lot of information is missing," said the leftist writer and journalist Ovidio Soriano. The soccer association, he said, had "handed over Maradona, but in exchange for what?"

"You know what's happening?" a banker in Buenos Aires asked. "Everything is being lined up so Brazil can win." (AP, Reuters, WP, NYT, AFP)

Bulgaria Hustles Past Argentina

By Sam Howe Verhovek
New York Times Service

DALLAS — Bulgaria wanted a victory, needed at least a tie, and played like it. Argentina was still adjusting to the shock of having had its captain suspended and its lineup reshuffled, and played like it.

The result was that a scrambling Bulgarian team, playing a man short for the last 25 minutes of the game, hustled its way into the final berth in the World Cup's second round with a 2-0 victory here Thursday night.

With Leonardo Rodriguez taking Maradona's spot in midfield and Oscar Ruggeri, a defender, named captain, Argentina suffered its first defeat in this year's World Cup, and finished behind Nigeria and Bulgaria in Group D. But all three advanced with 2-0-1 records.

The Bulgarian forward Hristo Stoichkov scored in the 60th minute, when he sneaked through the defense on a pass from Emil Kostadinov and pushed the ball just past Luis Islas, the Argentine goaltender, who had run out of the net to cut down the angle.

In the 93d minute, three minutes into injury time and just as Argentina was frantically trying to tie the score, the action shifted to the Argentine goal, and Nasko Sirakov scored, almost silencing the pro-Argentina crowd at the Cotton Bowl.

The second goal came with only 10 men on the field. In the 66th minute, the Bulgarian team was literally put on the defensive when defender

Tsanko Trvetanov was given a red card for a blatant push.

But even with the man advantage, Argentina found it hard to penetrate, and several plays either broke down amid missed passes or were broken up by Bulgaria. Its best chance came when Ramon Medina Bello set himself up for a booming cross shot, but it sailed wide. A few minutes later, Argentina had a three-on-two break, but signals got crossed in

a passing routine and the ball skittered away.

Bulgaria almost added to its lead in the 86th minute when Krassimir Balakov strode down the left side and ripped off a booming shot that Islas barely managed to tip high. Seven minutes later, Sirakov booted in the insurance goal.

The first half was scoreless and closely fought, though both sides had their opportunities. Five minutes into the game, Ga-

brriel Batistuta, who scored a hat trick in Argentina's 4-0 victory over Greece, swept past the defense for a head shot on a pass from Abel Balbo, but it soared just above the goal.

In the 16th minute, Bulgaria had a wonderful opportunity to score when Sirakov just missed on a pass to Kostadinov, who had a clear path. Bulgaria's Zlatko Lankov put the ball into the net, but he was ruled offside and the goal was disallowed.



Abel Balbo of Argentina was tripped up by the Bulgarian midfielder Iordan Letchkov.

Victory in Defeat: Argentines Avoid Italy

By Elliott Almond
Los Angeles Times Service

DALLAS — Did Argentina win by losing?

In the crazy and confusing world of World Cup seedings, it appears that it did. Argentina, headed for a Tuesday match against dangerous Italy, went from first to third in Group D and now plays Romania on Sunday in the Rose Bowl.

Nigeria won the group and now must face the Italians in Foxboro, Massachusetts.

Bulgaria, fighting for a berth in the second round, finished second and plays Mexico on Tuesday at Giants Stadium in East Rutherford, New Jersey.

Still, the Bulgarians savored their country's second, and biggest, World Cup victory.

"We showed the world our generation of

soccer players is one of the best right now," said Hristo Stoichkov, who scored the game's first goal in the 61st minute. "Bulgaria should be very proud of us."

About 30,000 watched the game on four television screens in Sofia's town square, and were partying throughout the night, Bulgarian reporters said.

There was much to celebrate, considering Bulgaria entered this World Cup without a victory in five tournaments. But it broke the spell by defeating Greece, and looked inspired against Argentina, which earlier in the day had learned that Maradona had been banned for illegal drug use.

The midfielder Zlatko Lankov played down Maradona's absence.

"Football is played with 11 players," he said, "not one."

But Argentina, although more skilled than Bulgaria, looked emotionally drained.

"I couldn't believe it was Argentina playing," said Maradona, who watched the game from a hotel room.

And once Claudio Caniggia left the match in the 22d minute because of an injury to his left big toe, the once-explosive offense only sputtered.

"After this defeat, it is very difficult for the team to recognize what really happened," said the midfielder Fernando Redondo. "There is nothing to say about it."

Still, Coach Alfio Basile was talking.

"Their spirits were low," he said. "Maradona does so much for us. He is our leader on the field. It's a great impact not to have him. We all love him very much, but we have to go on."

But Bulgaria deserves some of the credit. "It's easy when your players counter-

attack," Lankov said.

